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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

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

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003

Commission file number 1-11071

UGI CORPORATION

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

Pennsylvania 23-2668356
(STATE OR OTHER JURISDICTION OF (I.R.S. EMPLOYER IDENTIFICATION NO.)
INCORPORATION OR ORGANIZATION)

460 North Gulph Road, King of Prussia, PA 19406
(ADDRESS OF PRINCIPAL OFFICES) (ZIP CODE)

(610) 337-1000
(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

TITLE OF CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
Common Stock, without par value	New York Stock Exchange, Inc. Philadelphia Stock Exchange, Inc.

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: None

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 [].

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

The aggregate market value of UGI Corporation Common Stock held by nonaffiliates of the registrant on March 31, 2003 was \$1,248,875,250.

At December 12, 2003 there were 42,809,144 shares of UGI Corporation Common Stock issued and outstanding.

Documents Incorporated By Reference: Portions of the Annual Report to Shareholders for the year ended September 30, 2003 are incorporated by reference into Parts I and II of this Form 10-K. Portions of the Proxy Statement for the Annual Meeting of Shareholders to be held on February 24, 2004 are incorporated by reference into Part III of this Form 10-K.

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes [X] No []

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PART I: BUSINESS

ITEMS 1 AND 2. BUSINESS AND PROPERTIES

UGI Corporation is a distributor and marketer of energy products and services. We have two primary business lines: we are a domestic and international distributor of propane, and we are also a provider of natural gas, electricity and related services through regulated distribution utilities as well as through non-utility electric generation, commodity marketing and heating and cooling installation and service businesses.

We conduct our domestic propane distribution business through AmeriGas Partners, L.P., ("AmeriGas Partners" or the "Partnership"), which is the nation's largest retail propane distributor. AmeriGas Partners conducts its business through its direct and indirect subsidiaries, AmeriGas Propane, L.P. ("AmeriGas OLP") and AmeriGas Eagle Propane, L.P. ("Eagle OLP," and together with AmeriGas OLP, the "Operating Partnership"). Eagle OLP has a less-than-one percent minority limited partner. The Partnership's sole general partner is our subsidiary, AmeriGas Propane, Inc. ("AmeriGas Propane" or the "General Partner"). The common units of AmeriGas Partners represent limited partner interests in a Delaware limited partnership; they trade on the New York Stock Exchange under the symbol "APU." We have an effective 48% ownership interest in the Partnership; the remaining interest is publicly held. See Note 1 to the Company's Consolidated Financial Statements.

Our subsidiary UGI Utilities, Inc. ("UGI Utilities," or "Utilities") owns and operates a natural gas distribution utility ("Gas Utility") and an electric distribution utility ("Electric Utility") in eastern Pennsylvania. It serves approximately 292,000 natural gas customers and approximately 61,600 electric customers. Electric Utility, together with the electric generating interests of UGI Development Company described below, is referred to herein as "Electric Operations."

UGI Enterprises, Inc. ("Enterprises") conducts domestic and international energy-related businesses through subsidiaries. UGI Energy Services, Inc. ("ESI") markets natural gas, oil and electricity in the eastern region of the United States under the trade name GASMARK(R). ESI also owns and operates liquefied natural gas and propane peak-shaving plants. UGI Development Company ("UGID"), a subsidiary of ESI, owns and operates interests in Pennsylvania-based electric generation assets. UGI HVAC Enterprises, Inc. operates a heating and cooling installation and service business in the Mid-Atlantic region.

Enterprises conducts its international propane distribution business through wholly-owned subsidiaries and joint ventures. It owns FLAGA GmbH, the largest retail propane distributor in Austria and one of the largest suppliers in the Czech Republic and Slovakia. In March 2001, Enterprises acquired an approximate 20% interest in Elf Antargaz, S.A. ("Antargaz"), one of the largest distributors of propane in France. Enterprises also participates in a propane distribution joint venture in China.

UGI was incorporated in Pennsylvania in 1991. UGI Corporation is not subject to regulation by the Pennsylvania Public Utility Commission ("PUC"). It is also exempt from registration as a holding company and not otherwise subject to the Public Utility Holding

Company Act of 1935, except for Section 9(a)(2), which regulates the acquisition of voting securities of an electric or gas utility company. Our executive offices are located at 460 North Gulph Road, King of Prussia, Pennsylvania 19406, and our telephone number is (610) 337-1000. In this report, the terms "Company" and "UGI," as well as the terms "our," "we," and "its," are sometimes used as abbreviated references to UGI Corporation or, collectively, UGI Corporation and its consolidated subsidiaries. Similarly, the terms "AmeriGas Partners" and the "Partnership" are sometimes used as abbreviated references to AmeriGas Partners, L.P. or, collectively, AmeriGas Partners, L.P. and its subsidiaries, including the Operating Partnership.

BUSINESS STRATEGY

Since 1999, our strategic direction has focused on growing our existing natural gas, electric and propane businesses while seeking additional related and complementary growth opportunities. We are employing our core competencies from our existing businesses, as well as using our national scope, international experience, extensive asset base and access to customers, to accelerate growth in related and complementary businesses, both domestic and international. During fiscal year 2003, we completed a number of transactions in pursuit of this strategy.

AMERIGAS PROPANE BUSINESS

Our domestic propane distribution business is conducted through AmeriGas Partners. Upon completion of the Columbia Propane acquisition described below, we became the largest retail propane distributor in the United States, based on retail volume. As of September 30, 2003, the Partnership operated from approximately 650 district locations in 46 states. AmeriGas Propane manages the Partnership. Although our consolidated financial statements include 100% of the Partnership's revenues, assets and liabilities, our net income reflects only our 48% effective interest in the income or loss of the Partnership, due to the publicly-owned limited partner interest. See Note 1 to the Company's Consolidated Financial Statements.

On August 21, 2001, AmeriGas OLP acquired the propane distribution businesses of Columbia Energy Group. These businesses were conducted through Columbia Propane Corporation and its approximate 99% owned subsidiary, Columbia Propane, L.P. Prior to the acquisition, Columbia Propane, based in Richmond, Virginia, was the seventh largest retail propane marketer in the United States, selling approximately 308 million gallons annually from 186 locations in 29 states. Following the acquisition, Columbia Propane, L.P. changed its name to AmeriGas Eagle Propane, L.P. and Columbia Propane Corporation changed its name to AmeriGas Eagle Propane, Inc. Both entities do business under the trade name AmeriGas(R). AmeriGas OLP and AmeriGas Eagle Holding, Inc. own more than 99% of Eagle OLP and an unaffiliated third party retains the remaining interest.

On October 1, 2003, AmeriGas OLP acquired substantially all of the retail propane distribution assets and business of Horizon Propane LLC ("Horizon Propane") for approximately \$31 million. During its 2003 fiscal year, Horizon Propane sold over 30 million gallons of propane from ninety locations in twelve states.

GENERAL INDUSTRY INFORMATION

Propane is separated from crude oil during the refining process and also extracted from natural gas or oil wellhead gas at processing plants. Propane is normally transported and stored in a liquid state under moderate pressure or refrigeration for economy and ease of handling in shipping and distribution. When the pressure is released or the temperature is increased, it is usable as a flammable gas. Propane is colorless and odorless; an odorant is added to allow its detection. Propane is clean burning, producing negligible amounts of pollutants when properly consumed.

The primary customers for propane are residential, commercial, agricultural, motor fuel and industrial users to whom natural gas is not readily available. Propane is typically more expensive than natural gas, competitive with fuel oil when operating efficiencies are taken into account and, in most areas, cheaper than electricity on an equivalent energy basis.

PRODUCTS, SERVICES AND MARKETING

As of September 30, 2003, the Partnership distributed propane to approximately 1.3 million customers from approximately 650 district locations in 46 states. The Partnership also sells, installs and services propane appliances, including heating systems. In certain markets, the Partnership also installs and services propane fuel systems for motor vehicles. Typically, district locations are found in suburban and rural areas where natural gas is not available. Districts generally consist of an office, appliance showroom, warehouse and service facilities, with one or more 18,000 to 30,000 gallon storage tanks on the premises. As part of its overall transportation and distribution infrastructure, the Partnership operates as an interstate carrier in 48 states throughout the United States. It is also licensed as a carrier in Canada.

The Partnership sells propane primarily to five markets: residential, commercial/industrial, motor fuel, agricultural and wholesale. Approximately 84% of the Partnership's fiscal year 2003 sales (based on gallons sold) were to retail accounts and approximately 16% were to wholesale customers. Sales to residential customers in fiscal 2003 represented approximately 42% of retail gallons sold; industrial/commercial customers 34%; motor fuel customers 11%; and agricultural customers 7%. Transport gallons, which are large-scale deliveries to retail customers other than residential, accounted for 6% of 2003 retail gallons. No single customer accounts for 5% or more of the Partnership's consolidated revenues.

In the residential market, which includes both conventional and manufactured housing, propane is used primarily for home heating, water heating and cooking purposes. Commercial users, which include motels, hotels, restaurants and retail stores, generally use propane for the same purposes as residential customers. The Partnership continues to expand its PPX Prefilled Propane Xchange program ("PPX(R)"). At September 30, 2003, PPX was available at approximately 20,000 retail locations throughout the United States. Sales of our PPX grill cylinders to retailers are included in the commercial/industrial market. The PPX program enables consumers to exchange their empty 20-pound propane grill cylinders for filled cylinders at various retail locations such as home centers, mass merchandisers and grocery and convenience stores. During fiscal year 2002, the Partnership introduced PPX Plus. PPX Plus cylinders are

equipped with a special overfill protection device ("OPD") required by the National Fire Protection Association ("NFPA").

Industrial customers use propane to fire furnaces, as a cutting gas and in other process applications. Other industrial customers are large-scale heating accounts and local gas utility customers who use propane as a supplemental fuel to meet peak load deliverability requirements. As a motor fuel, propane is burned in internal combustion engines that power over-the-road vehicles, forklifts and stationary engines. Agricultural uses include tobacco curing, chicken brooding and crop drying. In its wholesale operations, the Partnership principally sells propane to large industrial end-users and other propane distributors.

Retail deliveries of propane are usually made to customers by means of bobtail and rack trucks. Propane is pumped from the bobtail truck, which generally holds 2,400 to 3,000 gallons of propane, into a stationary storage tank on the customer's premises. The Partnership owns most of these storage tanks and leases them to its customers. The capacity of these tanks ranges from approximately 120 gallons to approximately 1,200 gallons.

The Partnership also delivers propane to retail customers in portable cylinders with capacities of 4 to 24 gallons. Some of these deliveries are made to the customer's location, where empty cylinders are either picked up for replenishment or filled in place.

PROPANE SUPPLY AND STORAGE

The Partnership has over 200 domestic and international sources of supply, including the spot market. Supplies of propane from the Partnership's sources historically have been readily available. During the year ended September 30, 2003, over 90% of the Partnership's propane supply was purchased under supply agreements with terms of 1 to 3 years. Approximately 79% of the volumes purchased under those agreements were from 10 suppliers, including BP Products North America Inc. and its affiliate BP Marketing Inc. (approximately 20%); Dynegy Midstream Services (approximately 18%); and Enterprise Products Operating LP and its affiliate Canadian Enterprises Gas Products Ltd. (approximately 15%). The availability of propane supply is dependent upon, among other things, the severity of winter weather and the price and availability of competing fuels such as natural gas and crude oil. Although no assurance can be given that supplies of propane will be readily available in the future, management currently expects to be able to secure adequate supplies during fiscal year 2004. If supply from major sources were interrupted, however, the cost of procuring replacement supplies and transporting those supplies from alternative locations might be materially higher and, at least on a short-term basis, margins could be affected. Aside from BP, Dynegy and Enterprise Products, no single supplier provided more than 10% of the Partnership's total propane supply in fiscal year 2003. In certain market areas, however, some suppliers provide 70% to 80% of the Partnership's requirements. Disruptions in supply in these areas could also have an adverse impact on the Partnership's margins.

During fiscal year 2003, 92% of the Partnership's supply contracts provided for pricing based upon posted prices at the time of delivery or index formulas based on the current prices established at major storage points such as Mont Belvieu, Texas, or Conway, Kansas. In addition, some agreements provided maximum and minimum seasonal purchase volume

guidelines. The percentage of contract purchases, and the amount of supply contracted for at fixed prices, will vary from year to year as determined by the General Partner. The Partnership uses a number of interstate pipelines, as well as railroad tank cars, delivery trucks and barges, to transport propane from suppliers to storage and distribution facilities. The Partnership stores propane at facilities in Arizona, Pennsylvania, Virginia and several other states.

Because the Partnership's profitability is sensitive to changes in wholesale propane costs, the Partnership generally seeks to pass on increases in the cost of propane to customers. There is no assurance, however, that the Partnership will always be able to pass on product cost increases fully, particularly when product costs rise rapidly. Product cost increases can be triggered by periods of severe cold weather, supply interruptions, or other unforeseen events. The General Partner has adopted supply acquisition and product price risk management practices to reduce the effect of price volatility on product costs. These practices currently include the use of summer storage, forward purchases and derivative commodity instruments such as options and propane price swaps. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Market Risk Disclosures."

The following graph shows the average prices of propane on the propane spot market during the last five fiscal years at Mont Belvieu, Texas and Conway, Kansas, two major storage areas.

AVERAGE PROPANE SPOT MARKET PRICES

[AVERAGE PROPANE SPOT MARKET PRICES GRAPH]

	Mont Belvieu	Conway
Oct-96	51.57	51.53
Nov-96	58.05	63.41
Dec-96	61.04	84.29
Jan-97	47.45	63.39
Feb-97	38.71	39.02
Mar-97	38.50	37.26
Apr-97	34.88	35.26
May-97	35.31	36.48
Jun-97	34.43	35.86
Jul-97	34.91	34.63
Aug-97	37.03	36.53
Sep-97	38.68	37.95
Oct-97	39.83	37.32
Nov-97	35.95	35.00
Dec-97	33.57	31.36
Jan-98	30.07	28.21
Feb-98	29.79	28.32
Mar-98	27.39	27.84
Apr-98	29.06	29.47
May-98	27.42	27.82
Jun-98	24.42	24.84
Jul-98	24.54	24.55
Aug-98	24.12	23.87
Sep-98	24.83	24.04
Oct-98	25.72	24.57
Nov-98	24.79	23.20
Dec-98	20.89	18.72
Jan-99	21.75	19.61
Feb-99	22.43	20.58
Mar-99	24.10	23.40
Apr-99	28.26	27.58
May-99	28.31	26.88
Jun-99	30.95	28.68
Jul-99	37.26	34.62
Aug-99	40.51	37.56
Sep-99	43.18	42.40
Oct-99	45.46	43.39
Nov-99	43.44	38.78
Dec-99	42.83	35.10
Jan-00	56.11	42.32
Feb-00	59.72	47.26
Mar-00	51.13	47.65
Apr-00	46.88	43.64
May-00	51.31	50.81
Jun-00	55.47	56.22
Jul-00	54.88	56.29
Aug-00	58.54	63.52
Sep-00	64.21	70.95
Oct-00	61.82	64.05
Nov-00	60.71	60.45
Dec-00	77.63	79.75
Jan-01	77.27	83.03
Feb-01	59.39	63.03
Mar-01	54.94	57.12
Apr-01	54.37	60.26
May-01	51.20	56.90
Jun-01	43.17	47.70
Jul-01	38.87	43.27
Aug-01	41.54	45.71
Sep-01	41.67	46.53
Oct-01	39.48	44.19
Nov-01	33.04	35.19

Dec-01	30.43	30.34
Jan-02	29.05	26.60
Feb-02	31.20	27.92
Mar-02	37.95	35.93
Apr-02	41.52	40.07
May-02	40.69	38.09
Jun-02	37.51	35.25
Jul-02	37.19	35.47
Aug-02	41.49	41.53
Sep-02	47.17	45.93
Oct-02	47.95	47.12
Nov-02	47.26	48.01
Dec-02	52.40	52.32
Jan-03	60.38	57.70
Feb-03	77.30	73.03
Mar-03	62.77	57.09
Apr-03	50.42	50.28
May-03	54.09	55.41
Jun-03	55.98	59.71
Jul-03	53.01	58.90
Aug-03	54.84	63.63
Sep-03	52.00	59.44

COMPETITION

Propane competes with other sources of energy, some of which are less costly for equivalent energy value. Propane distributors compete for customers against suppliers of electricity, fuel oil and natural gas, principally on the basis of price, service, availability and portability. Electricity is a major competitor of propane, but propane generally enjoys a competitive price advantage over electricity for space heating, water heating and cooking. Fuel oil is also a major competitor of propane and is generally less expensive than propane. Operating efficiencies and other factors such as air quality and environmental advantages, however, generally make propane competitive with fuel oil as a heating source. Furnaces and appliances that burn propane will not operate on fuel oil, and vice versa, and, therefore, a conversion from one fuel to the other requires the installation of new equipment. Propane serves as an alternative to natural gas in rural and suburban areas where natural gas is unavailable or portability of product is required. Natural gas is generally a less expensive source of energy than propane, although in areas where natural gas is available, propane is used for certain industrial and commercial applications and as a standby fuel during interruptions in natural gas service. The gradual expansion of the nation's natural gas distribution systems has resulted in the availability of natural gas in some areas that previously depended upon propane. However, natural gas pipelines are not present in many regions of the country where propane is sold for heating and cooking purposes.

In the motor fuel market, propane competes with gasoline and diesel fuel as well as electric batteries and fuel cells. Wholesale propane distribution is a highly competitive, low margin business. Propane sales to other retail distributors and large-volume, direct-shipment industrial end-users are price sensitive and frequently involve a competitive bidding process.

The retail propane industry is mature, with only modest growth in total demand for the product foreseen. Therefore, the Partnership's ability to grow within the industry is dependent on its ability to acquire other retail distributors and to achieve internal growth, which includes expansion of the PPX(R) program (through which consumers can exchange an empty propane grill cylinder for a filled one) and strategic accounts program (formerly called "national accounts," through which the Partnership encourages large, multi-location propane users to enter into a supply agreement with it rather than with many small suppliers), as well as the success of its sales and marketing programs designed to attract and retain customers. The failure of the Partnership to retain and grow its customer base would have an adverse effect on its results.

The domestic propane retail distribution business is highly competitive. The Partnership competes in this business with other large propane marketers, including other full-service marketers, and thousands of small independent operators. In recent years, some rural electric cooperatives and fuel oil distributors have expanded their businesses to include propane distribution and the Partnership competes with them as well. The ability to compete effectively depends on providing high quality customer service, maintaining competitive retail prices and controlling operating expenses.

Based on the most recent annual survey by the American Petroleum Institute, the 2002 domestic retail market for propane (annual sales for other than chemical uses) was approximately 11.9 billion gallons and, based on LP-GAS magazine rankings, 2002 sales volume of the ten

largest propane companies (including AmeriGas Partners) represented approximately 32% of domestic retail sales. Management believes the Partnership's 2003 retail volume represents 9% of the domestic retail market.

PROPERTIES

As of September 30, 2003, the Partnership owned approximately 87% of its district locations. In addition, the Partnership subleases three one-million barrel underground storage caverns in Arizona to store propane and butane for itself and third parties. The Partnership also owns a 600,000 barrel refrigerated, above-ground storage facility located on leased property in California, which could be used in connection with waterborne imports or exports of propane or butane. The California facility, which the Partnership operates, is currently leased to several refiners for the storage of butane. In Virginia, the Partnership has a 50% indirect equity interest in a 476,000 barrel refrigerated, above-ground import terminal.

The transportation of propane requires specialized equipment. The trucks and railroad tank cars utilized for this purpose carry specialized steel tanks that maintain the propane in a liquefied state. As of September 30, 2003, the Partnership operated a transportation fleet with the following assets:

APPROXIMATE QUANTITY & EQUIPMENT TYPE	% OWNED	% LEASED
400 Trailers	90	10
200 Tractors	45	55
150 Railroad tank cars	0	100
2,500 Bobtail trucks	20	80
350 Rack trucks	25	75
2,200 Service and delivery trucks	25	75

Other assets owned at September 30, 2003 included approximately 900,000 stationary storage tanks with typical capacities of 121 to 2,000 gallons and approximately 2.4 million portable propane cylinders with typical capacities of 1 to 120 gallons. The Partnership also owned approximately 6,100 large volume tanks which are used for its own storage requirements. AmeriGas OLP has debt secured by liens and mortgages on its real and personal property. AmeriGas OLP owns approximately 67% of the Partnership's property, plant and equipment.

TRADE NAMES, TRADE AND SERVICE MARKS

The Partnership markets propane principally under the "AmeriGas(R)," "America's Propane Company(R)" and "PPX Prefilled Propane Xchange(R)" trade names and related service marks. UGI owns, directly or indirectly, all the right, title and interest in the "AmeriGas" and related trade and service marks. The General Partner owns all right, title and interest in the "America's Propane Company" and "PPX Prefilled Propane Xchange" trade names and related service marks. The Partnership has an exclusive (except for use by UGI, AmeriGas, Inc. and the General Partner), royalty-free license to use these names and trade and service marks. UGI and

the General Partner each have the option to terminate its respective license agreement (on 12 months prior notice in the case of UGI), without penalty, if the General Partner is removed as general partner of the Partnership other than for cause. If the General Partner ceases to serve as the general partner of the Partnership for cause, the General Partner has the option to terminate its license agreement upon payment of a fee equal to the fair market value of the licensed trade names. UGI has a similar termination option, however, UGI must provide 12 months prior notice in addition to paying the fee.

SEASONALITY

Because many customers use propane for heating purposes, the Partnership's retail sales volume is seasonal, with approximately 59% of the Partnership's fiscal year 2003 retail sales volume occurring during the five-month peak heating season from November through March. As a result of this seasonality, sales are concentrated in the Partnership's first and second fiscal quarters (October 1 through March 31). Cash receipts are greatest during the second and third fiscal quarters when customers pay for propane purchased during the winter heating season.

Sales volume for the Partnership traditionally fluctuates from year-to-year in response to variations in weather, prices, competition, customer mix and other factors, such as conservation efforts and general economic conditions. For historical information on national weather statistics, see "Management's Discussion and Analysis of Financial Condition and Results of Operations."

GOVERNMENT REGULATION

The Partnership is subject to various federal, state and local environmental, safety and transportation laws and regulations governing the storage, distribution and transportation of propane. These laws include, among others, the Resource Conservation and Recovery Act, the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA" or, the "Superfund Law"), the Clean Air Act, the Occupational Safety and Health Act, the Homeland Security Act of 2002, the Emergency Planning and Community Right to Know Act, the Clean Water Act and comparable state statutes. CERCLA imposes joint and several liability on certain classes of persons considered to have contributed to the release or threatened release of a "hazardous substance" into the environment without regard to fault or the legality of the original conduct. Propane is not a hazardous substance within the meaning of federal and state environmental laws. However, the Partnership owns and operates real property where such hazardous substances may exist. See Notes 1 and 12 to the Company's Consolidated Financial Statements.

All states in which the Partnership operates have adopted fire safety codes that regulate the storage and distribution of propane. In some states these laws are administered by state agencies, and in others they are administered on a municipal level. The Partnership conducts training programs to help ensure that its operations are in compliance with applicable governmental regulations. With respect to general operations, NFPA Pamphlets No. 54 and No. 58, which establish a set of rules and procedures governing the safe handling of propane, or comparable regulations, have been adopted as the industry standard in a majority of the states in which the Partnership operates. Effective April 1, 2002, NFPA Pamphlet No. 58 requires portable propane cylinders to be equipped with an OPD. Although NFPA Pamphlet No. 58 has

not yet been adopted in all states, the Partnership complies with the OPD requirements throughout the United States. Effective July 2004, NFPA Pamphlet No. 58 requires stationary cylinders that are filled in place to be re-qualified periodically. The Partnership maintains various permits under environmental laws that are necessary to operate certain of its facilities, some of which may be material to the operations of the Partnership. Management believes that the procedures currently in effect at all of its facilities for the handling, storage and distribution of propane are consistent with industry standards and are in compliance in all material respects with applicable environmental, health and safety laws.

With respect to the transportation of propane by truck, the Partnership is subject to regulations promulgated under the Federal Motor Carrier Safety Act and the Homeland Security Act of 2002. These regulations cover the security of and transportation of hazardous materials and are administered by the United States Department of Transportation ("DOT"). The Natural Gas Safety Act of 1968 required the DOT to develop and enforce minimum safety regulations for the transportation of gases by pipeline. The DOT's pipeline safety code applies to, among other things, a propane gas system which supplies 10 or more customers from a single source and a propane gas system any portion of which is located in a public place. The code requires operators of all gas systems to provide training and written instructions for employees, establish written procedures to minimize the hazards resulting from gas pipeline emergencies, and keep records of inspections and testing.

EMPLOYEES

The Partnership does not directly employ any persons responsible for managing or operating the Partnership. The General Partner provides these services and is reimbursed for its direct and indirect costs and expenses, including all compensation and benefit costs. At September 30, 2003, the General Partner had approximately 6,200 employees, including approximately 400 temporary and part-time employees, working on behalf of the Partnership. UGI also performs certain financial and administrative services for the General Partner on behalf of the Partnership and is reimbursed by the Partnership for its direct and indirect costs and expenses.

UTILITY AND ELECTRIC OPERATIONS

Our utility business is conducted by UGI Utilities, Inc., a wholly owned subsidiary. Utilities operates its business through two divisions, the gas division ("Gas Utility") and the electric division ("Electric Utility"). Until June 2003, Utilities also owned interests in electric generating facilities in Pennsylvania, through its subsidiary, UGID. In June 2003, ownership of UGID was transferred to ESI. UGID's electric generation operations, together with Electric Utility, are referred to as "Electric Operations." All of these businesses are described below.

GAS UTILITY

NATURAL GAS CHOICE AND COMPETITION ACT

On June 22, 1999, Pennsylvania's Natural Gas Choice and Competition Act ("Gas Competition Act") was signed into law. The purpose of the Gas Competition Act was to provide all natural gas consumers in Pennsylvania with the ability to purchase their gas supplies from the supplier of their choice. Under the Gas Competition Act, local distribution companies ("LDCs") like Gas Utility may continue to sell gas to customers, and such sales of gas, as well as distribution services provided by LDCs, continue to be subject to price regulation by the PUC.

Generally, Pennsylvania LDCs will serve as the supplier of last resort for all residential and small commercial and industrial customers unless the PUC approves another supplier of last resort. The Gas Competition Act requires energy marketers seeking to serve customers of LDCs to accept assignment of a portion of the LDC's interstate pipeline capacity and storage contracts at contract rates, thus avoiding the creation of stranded costs.

On October 1, 1999, Gas Utility filed its restructuring plan with the PUC pursuant to the Gas Competition Act. On June 29, 2000, the PUC entered its order ("Gas Restructuring Order") approving Gas Utility's restructuring plan substantially as filed. Gas Utility designed its restructuring plan to ensure reliability of gas supply deliveries to Gas Utility on behalf of residential and small commercial and industrial customers. In addition, the plan changed Gas Utility's base rates for firm customers. It also changed the calculation of purchased gas cost rates. See "Utility Regulation and Rates."

Since October 1, 2000, all of Gas Utility's customers have had the option to purchase their gas supplies from an alternative gas supplier. Large commercial and industrial customers of Gas Utility have been able to purchase their gas from other suppliers since 1982. During fiscal year 2003, two third-party suppliers qualified to serve residential or small commercial and industrial customers in Gas Utility's service territory. Together, they are serving approximately 4,500 customers. Management believes none of the Gas Competition Act, the Gas Restructuring Order, or commodity sales to residential and small commercial and industrial customers by third-party suppliers will have a material adverse impact on the Company's financial condition or results of operations.

SERVICE AREA; REVENUE ANALYSIS

Gas Utility distributes natural gas to approximately 292,000 customers in portions of 15 eastern and southeastern Pennsylvania counties through its distribution system of approximately 4,800 miles of gas mains. The service area consists of approximately 3,000 square miles and includes the cities of Allentown, Bethlehem, Easton, Harrisburg, Hazleton, Lancaster, Lebanon and Reading, Pennsylvania. Located in Gas Utility's service area are major production centers for basic industries such as specialty metals, aluminum and glass.

System throughput (the total volume of gas sold to or transported for customers within Gas Utility's distribution system) for the 2003 fiscal year was approximately 83.8 billion cubic feet ("bcf"). System sales of gas accounted for approximately 43% of system throughput, while gas transported for residential, commercial and industrial customers (who bought their gas from

others) accounted for approximately 57% of system throughput. Based on industry data for 2001, residential customers account for approximately 34% of total system throughput by LDCs in the United States. By contrast, for the 2003 fiscal year, Gas Utility's residential customers represented 26% of its total system throughput.

SOURCES OF SUPPLY AND PIPELINE CAPACITY

Gas Utility meets its service requirements by utilizing a diverse mix of natural gas purchase contracts with producers and marketers, and storage and transportation service contracts. These arrangements enable Gas Utility to purchase gas from Gulf Coast, Mid-Continent, Appalachian and Canadian sources. For the transportation and storage function, Utilities has agreements with a number of pipeline companies, including Texas Eastern Transmission Corporation, Columbia Gas Transmission Corporation and Transcontinental Gas Pipeline Corporation.

GAS SUPPLY CONTRACTS

During fiscal year 2003, Gas Utility purchased approximately 37 bcf of natural gas for sale to customers. Approximately 88% of the volumes purchased were supplied under agreements with ten major suppliers. The remaining 12% of gas purchased was supplied by approximately 25 producers and marketers. Gas supply contracts are generally no longer than one year.

In fiscal years 2002 and 2003, as a result of changing market conditions following the bankruptcy of Enron Corp., a number of suppliers with which Utilities formerly did business exited the wholesale trading market. This development did not significantly impact Utilities' ability to secure gas supplies.

SEASONAL VARIATION

Because many of its customers use gas for heating purposes, Gas Utility's sales are seasonal. Approximately 60% of fiscal year 2003 throughput occurred during the winter season from November through March.

COMPETITION

Natural gas is a fuel that competes with electricity and oil, and to a lesser extent, with propane and coal. Competition among these fuels is primarily a function of their comparative price and the relative cost and efficiency of fuel utilization equipment. Electric utilities in Gas Utility's service area are seeking new load, primarily in the new construction market. Fuel oil dealers compete for customers in all categories, including industrial customers. Gas Utility responds to this competition with marketing efforts designed to retain and grow its customer base.

In substantially all of its service territory, Gas Utility is the only regulated gas distribution utility having the right, granted by the PUC or by law, to provide gas distribution services. Under the Gas Competition Act, retail customers may purchase their natural gas from a supplier other than Gas Utility. Commercial and industrial customers in Gas Utility's service

territory have been able to do this since 1982. As of October 2003, two marketers have qualified to serve residential and small commercial and industrial customers. Together they serve approximately 4,500 customers. Gas Utility provides transportation services for residential and small commercial and industrial customers who purchase natural gas from others.

A number of Gas Utility's commercial and industrial customers have the ability to switch to an alternate fuel at any time and, therefore, are served on an interruptible basis under rates which are competitively priced with respect to their alternate fuel. Gas Utility's profitability from these customers, therefore, is affected by the difference, or "spread," between the customers' delivered cost of gas and the customers' delivered alternate fuel cost. See "Utility Regulation and Rates - Gas Utility Rates." Commercial and industrial customers representing 18% of total system throughput have locations which afford them the opportunity, although none has exercised it, of seeking transportation service directly from interstate pipelines, thereby bypassing Gas Utility. The majority of customers in this group are served under transportation contracts having three- to twenty-year terms. Included in these two groups are Utilities' ten largest customers in terms of annual volume. All of these customers have contracts with Utilities, nine of which extend beyond fiscal year 2004. No single customer represents, or is anticipated to represent, more than 5% of the total revenues of Gas Utility.

OUTLOOK FOR GAS SERVICE AND SUPPLY

Gas Utility anticipates having adequate pipeline capacity and sources of supply available to it to meet the full requirements of all firm customers on its system through fiscal year 2004. Supply mix is diversified, market priced, and delivered pursuant to a number of long- and short-term firm transportation and storage arrangements, including transportation contracts held by some of Utilities' larger customers.

During fiscal year 2003, Gas Utility supplied transportation service to two major cogeneration installations and three electric generation facilities. Gas Utility continues to pursue opportunities to supply natural gas to electric generation projects located in its service territory. Gas Utility also continues to seek new residential, commercial and industrial customers for both firm and interruptible service. In the residential market sector, Gas Utility connected approximately 9,600 residential heating customers during fiscal year 2003, which represented a record annual increase. Of those new customers, new home construction accounted for over 7,300 heating customers. Customers converting from other energy sources, primarily oil and electricity, and existing non-heating gas customers who have added gas heating systems to replace other energy sources, accounted for the balance of the additions. The number of new commercial and industrial customers was over 1,100.

Utilities continues to monitor and participate extensively in rulemaking and individual rate and tariff proceedings before the Federal Energy Regulatory Commission ("FERC") affecting the rates and the terms and conditions under which Gas Utility transports and stores natural gas. Among these proceedings are those arising out of certain FERC orders and/or pipeline filings which relate to (i) the pricing of pipeline services in a competitive energy marketplace; (ii) the flexibility of the terms and conditions of pipeline service tariffs and contracts; and (iii) pipelines' requests to increase their base rates, or change the terms and conditions of their storage and transportation services.

Gas Utility's objective in negotiations with interstate pipeline and natural gas suppliers, and in proceedings before regulatory agencies, is to assure availability of supply, transportation and storage alternatives to serve market requirements at the lowest cost possible, taking into account the need for security of supply. Consistent with that objective, Gas Utility negotiates the terms of firm transportation capacity on all pipelines serving Gas Utility, arranges for appropriate storage and peak-shaving resources, negotiates with producers for competitively priced gas purchases and aggressively participates in regulatory proceedings related to transportation rights and costs of service.

ELECTRIC OPERATIONS

ELECTRICITY GENERATION CUSTOMER CHOICE AND COMPETITION ACT

On January 1, 1997, Pennsylvania's Electricity Generation Customer Choice and Competition Act ("ECC Act") became effective. The ECC Act permits all Pennsylvania retail electric customers to choose their electric generation supplier. Pursuant to the Act, all electric utilities were required to file restructuring plans with the PUC which, among other things, included unbundled prices for electric generation, transmission and distribution and a competitive transition charge (CTC) for the recovery of "stranded costs" which would be paid by all customers receiving distribution service. Stranded costs generally are electric generation-related costs that traditionally would be recoverable in a regulated environment but may not be recoverable in a competitive electric generation market. Under the ECC Act, Electric Utility is obligated to provide energy to customers who do not choose alternate suppliers. Electric Utility will continue to be the only regulated electric utility having the right, granted by the PUC or by law, to distribute electric energy in its service territory.

On June 19, 1998, the PUC entered its Opinion and Order (the "Restructuring Order") in Electric Utility's restructuring proceeding under the ECC Act. The Electric Restructuring Order authorized Electric Utility to recover from its customers approximately \$32.5 million in stranded costs (on a full revenue requirements basis, which includes all income and gross receipts taxes) over an estimated four-year period which commenced January 1, 1999 through a CTC, together with carrying charges on unrecovered balances of 7.94%. Under the terms of the Restructuring Order, Electric Utility generally could not increase the generation component of prices during the period that stranded costs were being recovered through the CTC. Electric Utility's recovery of stranded costs through the CTC was completed during fiscal year 2003.

SERVICE AREA; SALES ANALYSIS

Electric Utility supplies electric service to approximately 61,600 customers in portions of Luzerne and Wyoming Counties in northeastern Pennsylvania through a system consisting of approximately 2,100 miles of transmission and distribution lines and 14 transmission substations. For fiscal year 2003, about 53% of sales volume came from residential customers, 36% from commercial customers and 11% from industrial customers. Electricity transported for customers who purchased their power from others pursuant to the ECC Act represented approximately 1% of fiscal year 2003 sales volume.

SOURCES OF SUPPLY

Electric Utility has third-party generation supply contracts in place for substantially all of its expected energy requirements for fiscal year 2004. Electric Utility distributes both electricity that it purchases from others and electricity that customers purchase from other suppliers. At September 30, 2003, alternate suppliers served customers representing less than 1% of system load. Electric Utility expects to continue to provide energy to the great majority of its distribution customers for the foreseeable future.

ELECTRIC GENERATION

In June 2003, UGID increased its ownership interest in the Conemaugh generating station ("Conemaugh") from 1.11% to approximately 6% (102 megawatts). Conemaugh is a 1,711 megawatt, coal-fired generation station located near Johnstown, Pennsylvania. It is owned by a consortium of energy companies and operated by a unit of Reliant Resources, Inc. In addition, UGID is the indirect, 50% owner of Hunlock Creek Energy Ventures ("Energy Ventures"). The generation assets of Energy Ventures consist of the 48 megawatt, coal-fired Hunlock generating station, located near Kingston, Pennsylvania, and a 44 megawatt, gas-fired turbine generator at the same site. A subsidiary of Allegheny Energy, Inc. is the other general partner in Energy Ventures. Under the joint venture agreement, UGID has the right to purchase one-half the output of Energy Ventures' generation at cost. It also has the right to require an affiliate of Allegheny Energy, Inc. ("Allegheny") to purchase UGID's ownership interest in Energy Ventures. Allegheny has a corresponding call right on UGID's interest in Energy Ventures. These "put" and "call" rights are effective for a 90-day period commencing January 1, 2006. UGID is a non-utility company, wholly-owned by ESI. UGID markets the electric generation it controls to third parties.

ENVIRONMENTAL FACTORS

Energy Ventures' operation of Hunlock Station complies with the air quality standards of the Pennsylvania Department of Environmental Protection ("DEP") with respect to stack emissions. Under the Federal Water Pollution Control Act, Hunlock station has a permit from the DEP to discharge water into the North Branch of the Susquehanna River. The Federal Clean Air Act Amendments of 1990 (the "Clean Air Act Amendments") impose emissions limitations for certain compounds, including sulfur dioxide and nitrous oxides. Both the Conemaugh Station and the Hunlock Station are in material compliance with these emission standards.

UTILITY REGULATION AND RATES

PENNSYLVANIA PUBLIC UTILITY COMMISSION JURISDICTION

Utilities' gas and electric utility operations, which exclude electric generation, are subject to regulation by the PUC as to rates, terms and conditions of service, accounting matters, issuance of securities, contracts and other arrangements with affiliated entities, and various other matters. UGID has FERC authority to sell power at market-based rates. Generally, UGID is not subject to regulation by the PUC.

In April 1996, FERC issued Orders No. 888 and 889, which established rules for the use of electric transmission facilities for wholesale transactions. FERC has also asserted jurisdiction over the transmission component of electric retail choice transactions. In compliance with these orders, the PJM Interconnection, LLC ("PJM"), of which Utilities is a member, has filed an open access transmission tariff with the FERC establishing transmission rates and procedures for transmission within the PJM control area. Under the PJM tariff and associated agreements, Electric Utility is entitled to receive certain revenues when its transmission facilities are used by third parties.

GAS UTILITY RATES

The Gas Restructuring Order included an increase in firm-residential, commercial and industrial ("retail core-market") base rates, effective October 1, 2000. The increase, calculated in accordance with the Gas Competition Act, was designed to generate approximately \$16.7 million in additional annual revenues. The Order also provided that Gas Utility reduce its purchased gas cost rates by an annualized amount of \$16.7 million for the first 14 months following the base rate increase.

Effective December 1, 2001, Gas Utility was required to reduce its purchased gas cost rates to retail core-market customers by an amount equal to the margin it receives from customers served under interruptible rates to the extent they use capacity contracted for by Gas Utility for retail core-market customers. As a result of these changes in its regulated rates, since December 1, 2001, Gas Utility's operating results have been more sensitive to heating season weather and less sensitive to the market prices of alternative fuel.

BASE RATES

As stated above, Gas Utility's current base rates went into effect October 1, 2000 pursuant to The Gas Restructuring Order. See Note 3 to the Company's Consolidated Financial Statements.

PURCHASED GAS COST RATES

Gas Utility's gas service tariff contains Purchased Gas Cost ("PGC") rates which provide for annual increases or decreases in the rate per thousand cubic feet ("mcf") which Gas Utility charges for natural gas sold by it, to reflect Utilities' projected cost of purchased gas. PGC rates may also be adjusted quarterly, or, under certain conditions monthly, to reflect purchased gas costs. Each proposed annual PGC rate is required to be filed with the PUC six months prior to its effective date. During this period the PUC holds hearings to determine whether the proposed rate reflects a least-cost fuel procurement policy consistent with the obligation to provide safe, adequate and reliable service. After completion of these hearings, the PUC issues an order permitting the collection of gas costs at levels which meet that standard. The PGC mechanism also provides for an annual reconciliation. Utilities has two PGC rates. PGC (1) is applicable to small, firm, core-market customers consisting of the residential and small commercial and industrial classes; PGC (2) is applicable to firm, contractual, high-load factor customers served on three separate rates. In addition, residential customers maintaining a high load factor may

qualify for the PGC (2) rate. As described above, the Gas Restructuring Order provided for ongoing adjustments to Gas Utilities' PGC rates, commencing December 1, 2001, to reflect margins, if any, from interruptible rate customers who do not obtain their own pipeline capacity.

ELECTRIC UTILITY RATES

The PUC approved a settlement establishing rules for Electric Utility's Provider of Last Resort ("POLR") service on March 28, 2002, and a separate settlement that modified these rules on June 13, 2002 (collectively, the "POLR Settlement") under which Electric Utility terminated stranded cost recovery through its CTC and is no longer subject to the statutory generation rate caps as of August 1, 2002 for commercial and industrial ("C&I") customers and as of November 1, 2002 for residential customers. Charges for generation service (1) were initially set at a level equal to the rates paid by Electric Utility customers for POLR service under the statutory rate caps; (2) may be raised at certain designated times by up to 5% of the total rate for distribution, transmission and generation through December 2004; and (3) may be set at market rates thereafter. Electric Utility may also offer multiple year POLR contracts to its customers. The POLR Settlement provides for annual shopping periods during which customers may elect to remain on POLR service or choose an alternate supplier. Customers who do not select an alternate supplier will be obligated to remain on POLR service until the next shopping period. Residential customers who return to POLR service at a time other than during the annual shopping period must remain on POLR service until the date of the second open shopping period after returning. C&I customers who return to POLR service at a time other than during the annual shopping period must remain on POLR service until the next open shopping period, and may, in certain circumstances, be subject to generation rate surcharges. Consistent with the terms of the POLR Settlement, Electric Utility's POLR rates will increase beginning January 2004 for commercial and industrial customers, and June 2004 for residential customers.

Additionally, pursuant to the requirements of the ECC, the PUC is currently developing post-rate cap POLR regulations that are expected to further define post-rate cap POLR service obligations and pricing. As of September 30, 2003, fewer than 1% of Electric Utility's customers have chosen an alternative electricity generation supplier.

STATE TAX SURCHARGE CLAUSES

Utilities' gas and electric service tariffs contain state tax surcharge clauses. The surcharges are recomputed whenever any of the tax rates included in their calculation are changed. These clauses protect Utilities from the effect of increases in most of the Pennsylvania taxes to which it is subject.

UTILITY FRANCHISES

Utilities holds certificates of public convenience issued by the PUC and certain "grandfather rights" predating the adoption of the Pennsylvania Public Utility Code and its predecessor statutes which it believes are adequate to authorize it to carry on its business in substantially all the territory to which it now renders gas and electric service. Under applicable

Pennsylvania law, Utilities also has certain rights of eminent domain as well as the right to maintain its facilities in streets and highways in its territories.

OTHER GOVERNMENT REGULATION

In addition to regulation by the PUC, the gas and electric utility operations of Utilities are subject to various federal, state and local laws governing environmental matters, occupational health and safety, pipeline safety and other matters. Certain of Utilities' activities involving the interstate movement of natural gas, the transmission of electricity, transactions with non-utility generators of electricity, and other matters, are also subject to the jurisdiction of FERC.

Utilities is subject to the requirements of the federal Resource Conservation and Recovery Act, CERCLA and comparable state statutes with respect to the release of hazardous substances on property owned or operated by Utilities. See ITEM 3. "LEGAL PROCEEDINGS - Environmental Matters-Manufactured Gas Plants." The electric generation activities of UGID are also subject to the Clean Air Act Amendments, the Federal Water Pollution Control Act and comparable state statutes and regulations. See "UTILITY OPERATIONS - Electric Operations - Environmental Factors."

EMPLOYEES

At September 30, 2003, Utilities had approximately 1,000 employees.

UGI ENTERPRISES, INC.

Through its subsidiaries, Enterprises develops energy-related businesses for us in the United States and abroad as described below. We expect Enterprises to continue to evaluate and develop new related and complementary business opportunities for us.

DOMESTIC BUSINESSES

NATURAL GAS AND ELECTRICITY MARKETING

ESI conducts a non-utility energy marketing business under the trade names GASMARK(R) and POWERMARK(R). GASMARK(R) sells natural gas directly to approximately 5,000 commercial and industrial customers in Pennsylvania, New Jersey, New York, Delaware, Maryland, Virginia, Ohio, North Carolina and the District of Columbia through the transportation systems of 35 utility systems. Energy Services also sells fuel oil and has the ability to sell electricity to commercial and industrial customers in Pennsylvania, New Jersey and Maryland. During fiscal year 2003, ESI significantly increased its size by acquiring the northeastern gas marketing operations of a subsidiary of TXU Corp. This acquisition added approximately 1,000 customers to ESI's customer base and increased its natural gas sales volume approximately 60%.

The gas marketing business is a high revenue, low margin business. A majority of GASMARK(R)'s commodity sales are made under fixed price agreements. ESI manages supply cost volatility related to these agreements by entering into exchange-traded natural gas futures contracts and fixed-price supply arrangements with a diverse group of natural gas producers and holders of interstate pipeline capacity. Exchange-traded natural gas futures contracts are guaranteed by the New York Mercantile Exchange ("NYMEX") and have nominal credit risk. ESI also bears the risk for balancing and delivering natural gas to its customers under various pipelines and LDC tariffs. Failure to meet these guidelines can result in additional expense in the form of penalties, which can be substantial in relation to ESI's results of operations.

Credit is another risk factor in the commodity marketing business. ESI bears the risks of customer defaults and supplier non-performance on commodity and pipeline capacity contracts. ESI seeks to mitigate risk of supplier defaults by diversifying its supply and pipeline transportation purchases across a number of suppliers. ESI also requires credit support from customers in higher-risk transactions. This credit support can take the form of prepayments, bonds and letters of credit. ESI also maintains credit insurance. See "Management's Discussion and Analysis of Financial Condition and Results of Operations-Market Risk Disclosures."

ESI also operates a natural gas liquefaction, storage and vaporization facility in Temple, Pennsylvania and propane storage and propane-air mixing stations in Bethlehem, Reading and Steelton, Pennsylvania. These plants were formerly owned by Utilities. Utilities has a call on a majority of the winter capacity of these facilities through March 2004 at a PUC-approved formula price. ESI is able to make opportunistic off-peak sales of LNG from these facilities at market prices.

ELECTRIC GENERATION

During fiscal year 2003, UGID was transferred to ESI. See "UTILITY AND ELECTRIC OPERATIONS - Electric Generation" for a description of UGID's generation assets. The output from these plants is sold in the spot market and under fixed-term contracts.

HVAC SERVICE

UGI HVAC Enterprises, Inc. ("HVAC") was acquired by Enterprises in September 2000. Together with its subsidiary, McHugh Service Company, HVAC conducts a heating, ventilation air-conditioning and refrigeration service business serving portions of Utilities' gas service area and adjacent eastern market areas, including Philadelphia suburbs and portions of New Jersey and northern Delaware. It serves more than 100,000 customers in residential, commercial, industrial and new construction markets. During fiscal year 2003, HVAC generated approximately \$46 million in revenues and employed approximately 350 people.

INTERNATIONAL BUSINESSES

FLAGA GmbH

In September 1999, subsidiaries of Enterprises acquired all of the stock of Flaga GmbH, a privately-held company founded in 1947. FLAGA distributes propane, butane and propane/butane mix (collectively, "LPG") in Austria, the Czech Republic and Slovakia for residential, commercial, industrial and autogas applications. During fiscal year 2003, FLAGA distributed approximately 34 million gallons of LPG. FLAGA operates from 6 distribution locations in Austria, 1 in the Czech Republic and 2 in Slovakia. In addition, FLAGA has 7 sales offices in the Czech Republic. As of September 30, 2003, FLAGA had a total of 321 employees of which 165 were located in Austria, 120 in the Czech Republic and 36 in Slovakia.

FLAGA has the largest propane distribution market position in Austria with an estimated 34% retail market share, serving residential, commercial and industrial customers. The retail propane industry in Austria is mature, with only modest growth in propane demand foreseen. Residential customers generally commit to prepaid tank rental agreements. Competition for renewals and for new customer installations is based on the terms and conditions of tank leases as well as on product prices. Much of FLAGA's Austrian cylinder business is conducted through approximately 600 neighborhood resellers with whom FLAGA has a long business relationship. FLAGA competes with other propane marketers and with other sources of energy, principally natural gas and wood.

The Czech market for LPG, which currently represents about 30% of FLAGA's total volume, is growing approximately 2% to 4% per year. FLAGA entered the Czech market in 1994 when it purchased a portion of the formerly state-run LPG company from the Czech government as part of its privatization plan. FLAGA's main facility in the Czech Republic is its bulk storage and cylinder filling and repair plant in Hustopece, located in the southeast quadrant of the Czech Republic. FLAGA estimates its market share in the Czech Republic at approximately 15%, ranking it third in the country.

The Slovak market for LPG has been growing significantly in the area of autogas sales volume in the last three years. FLAGA estimates that its share of the LPG market in Slovakia is 24%, ranking it second in the country.

ANTARGAZ

In March 2001, UGI France, Inc., together with Paribas Affaires Industrielles ("PAI") and Medit Mediterranea GPL, S.r.l. ("Medit"), acquired the stock and certain related assets of Antargaz, one of the largest distributors of LPG in France. We acquired an approximate 20% interest, PAI an approximate 68% interest, Medit an approximate 10% interest and certain members of Antargaz management, the remaining interest. PAI is a leading private equity fund manager in Europe with strong management and financial skills and Medit is a supplier of logistics services to the LPG industry in Europe, primarily Italy. During fiscal year 2003, Antargaz sold approximately 344 million gallons of LPG. Due, in part, to our membership on the Board of Directors of Antargaz, we believe we have significant influence over the company's operating and financial policies.

Antargaz has an approximate 24% market share in France. The French LPG market is characterized by modest growth, about 1% per year, and stable market conditions. Antargaz serves nearly one million customers using a logistical system that includes ten major import/storage facilities, 30 bulk storage depots and 16 cylinder filling plants. Antargaz's customer base consists of residential, commercial, agricultural and motor fuel accounts who use LPG for space heating, cooking, water heating, process heat and transportation. Antargaz has approximately 1,350 employees.

CHINAGAS PARTNERS

During 1998, Enterprises formed ChinaGas Partners, L.P. ("ChinaGas") with affiliates of Energy Transportation Group, Inc. to develop, build and operate LPG projects in the People's Republic of China. On October 28, 1998, ChinaGas and its wholly owned subsidiary together acquired 50% of the shares of an existing Chinese company known as the Nantong Huayang LPG Port Co., Ltd. ("Port Company") which operated an integrated LPG business, including an import terminal and distribution business, serving the provinces along the lower and middle reaches of the Yangtze River. On August 1, 2002, the shareholders of the Port Company agreed to split the company into two separate companies: a terminal company owned completely by China National Chemical Supply & Sales Corporation and a retail distribution company owned by ChinaGas. The separation became effective in December 2002. The terminal company is currently pursuing bulk chemical storage business but continues to support the retail distribution company through a long-term LPG storage lease. Enterprises owns 50% of the distribution business.

BUSINESS SEGMENT INFORMATION

The table stating the amounts of revenues, operating income (loss) and identifiable assets attributable to each of UGI's business segments for the 2003, 2002 and 2001 fiscal years appears

in Note 21 to the Consolidated Financial Statements contained in our 2003 Annual Report to Shareholders and is incorporated in this Report by reference.

EMPLOYEES

At September 30, 2003, UGI and its subsidiaries had approximately 8,200 employees.

ITEM 3. LEGAL PROCEEDINGS

With the exception of the matters set forth below, no material legal proceedings are pending involving UGI, any of its subsidiaries, or any of their properties, and no such proceedings are known to be contemplated by governmental authorities other than claims arising in the ordinary course of business.

ENVIRONMENTAL MATTERS - MANUFACTURED GAS PLANTS

In the late 1800s through the mid-1900s, UGI Utilities and its former subsidiaries owned and operated a number of manufactured gas plants ("MGPs") prior to the general availability of natural gas. Some constituents of coal tars and other residues of the manufactured gas process are today considered hazardous substances under the Superfund Law and may be present on the sites of former MGPs. Between 1882 and 1953, UGI Utilities owned the stock of subsidiary gas companies in Pennsylvania and elsewhere and also operated the business of some gas companies under agreement. Pursuant to the requirements of the Public Utility Holding Company Act of 1935, by 1953, UGI Utilities had divested all of its utility operations other than those which now constitute Gas Utility and Electric Utility.

UGI Utilities does not expect its costs for investigation and remediation of hazardous substances at Pennsylvania MGP sites to be material to its results of operations because UGI Utilities is currently permitted to include in rates, through future base rate proceedings, prudently incurred remediation costs associated with such sites. UGI Utilities has been notified of several sites outside Pennsylvania on which (1) MGPs were formerly operated by it or owned or operated by its former subsidiaries and (2) either environmental agencies or private parties are investigating the extent of environmental contamination or performing environmental remediation. UGI Utilities is currently litigating three claims against it relating to out-of-state sites.

Consolidated Edison Company of New York v. UGI Utilities, Inc. On September 20, 2001, Consolidated Edison Company of New York ("ConEd") filed suit against Utilities in the United States District Court for the Southern District of New York, seeking contribution from Utilities for an allocated share of response costs associated with investigating and assessing gas plant related contamination at former MGP sites in Westchester County, New York. The complaint alleges that Utilities "owned and operated" the MGPs prior to 1904. The complaint also seeks a declaration that Utilities is responsible for an allocated percentage of future investigative and remedial costs at the sites. ConEd believes that the cost of remediation for all of the sites could exceed \$70 million. Utilities believes that it has good defenses to the claim and is defending the suit.

In November 2003, the court granted Utilities' motion for summary judgment in part, dismissing all claims premised on a disregard of the separate corporate form of Utilities' former subsidiaries and dismissing claims premised on Utilities' operation of three of the MGPs under operating leases with ConEd's predecessors. The court reserved decision on the remaining theory of liability, that Utilities was a direct operator of the remaining MGPs.

City of Bangor, Maine v. Citizens Communications Co. In April 2003, Citizens Communications Company ("Citizens") served a complaint naming Utilities as a third-party defendant in a civil action pending in United States District Court for the District of Maine. In that action, the plaintiff, City of Bangor, sued Citizens to recover environmental response costs associated with MGP wastes generated at a plant allegedly operated by Citizens' predecessors at a site on the Penobscot River. Citizens subsequently joined Utilities and ten other third-party defendants alleging that the third-party defendants are responsible for an equitable share of any response costs Citizens may be required to pay to the City of Bangor. Remedial proposals for the site range between \$5 million and \$50 million. Utilities is unable to estimate what portion of this potential cost may be associated with MGP wastes. Utilities believes that it has good defenses to the claim.

Atlanta Gas Light Company v. UGI Utilities, Inc. By letter dated July 29, 2003, Atlanta Gas Light Company ("AGL") served Utilities with a complaint filed in the United States District Court for the Middle District of Florida in which AGL alleges that Utilities is responsible for 20% of approximately \$8 million incurred by AGL in the investigation and remediation of a former MGP site in St. Augustine, Florida. Utilities formerly owned stock of the St. Augustine Gas Company, the owner and operator of the MGP. Utilities believes that it has good defenses to the claim and is defending the suit.

RELATED MATTER

UGI Utilities, Inc. v. Insurance Co. of North America, et al. On February 11, 1999, UGI Utilities, Inc. filed suit in the Court of Common Pleas of Montgomery County, Pennsylvania against more than fifty insurance companies, including Insurance Services, Ltd. (AEGIS). The complaint alleges that the defendants breached contracts of insurance by failing to indemnify Utilities for certain environmental costs. Utilities has now settled with all known solvent defendants. The suit has been stayed pending resolution of the remaining claims.

OTHER

Swiger, et al. v. UGI/AmeriGas, Inc. et al. Plaintiffs Samuel and Brenda Swiger and their son (the "Swigers") sustained personal injuries and property damage as a result of a fire that occurred when propane that leaked from an underground line ignited. In July 1998, the Swigers filed a class action lawsuit against AmeriGas Propane, L.P. (named incorrectly as "UGI/AmeriGas, Inc."), in the Circuit Court of Monongalia County, West Virginia (Civil Action No. 98-C-298), in which they sought to recover an unspecified amount of compensatory and punitive damages and attorney's fees, for themselves and on behalf of persons in West Virginia for whom the defendants had installed propane gas lines, allegedly resulting from the defendants' failure to install underground propane lines at depths required by applicable safety standards. Plaintiffs have filed various motions with the court, which seek to broaden the scope of their claims and to expand the size of the class to include customers whose lines were installed by other propane suppliers. These motions are currently pending before the court and defendants cannot predict the outcome of those motions. Beginning in 2001, the defendants voluntarily undertook to inspect and replace underground lines of its current customers that may not be in compliance with applicable safety standards. The General Partner expects to complete the line replacement project by late fiscal 2004 or early fiscal 2005. In 2003, the defendants settled the

individual personal injury and property damage claims of the Swigers. The defendants believe they have defenses to the claims of the class members and intend to vigorously defend against the remaining claims in this lawsuit.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matter was submitted to a vote of security holders during the last fiscal quarter of fiscal year 2003.

EXECUTIVE OFFICERS

Information regarding our executive officers is included in Part III of this Report and is incorporated in Part I by reference.

PART II: SECURITIES AND FINANCIAL INFORMATION

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

MARKET INFORMATION

Our Common Stock is traded on the New York and Philadelphia stock exchanges under the symbol "UGI." On January 28, 2003, our Board of Directors approved a 3-for-2 split of our Common Stock, effective April 1, 2003. Sales prices and dividends paid for all periods presented in the following tables are reflected on a post-split basis. The following table sets forth the high and low sales prices for the Common Stock on the New York Stock Exchange Composite Transactions tape as reported in The Wall Street Journal for each full quarterly period within the two most recent fiscal years:

2003 FISCAL YEAR	HIGH	LOW
4th Quarter	\$33.45	\$28.86
3rd Quarter	35.05	29.00
2nd Quarter	30.57	24.93
1st Quarter	26.99	23.27

2002 FISCAL YEAR	HIGH	LOW
4th Quarter	\$24.51	\$17.11
3rd Quarter	22.14	19.60
2nd Quarter	20.99	18.06
1st Quarter	21.02	17.79

DIVIDENDS

Quarterly dividends on our Common Stock were paid in the 2003 and 2002 fiscal years as follows:

2003 FISCAL YEAR	AMOUNT
4th Quarter	\$0.285
3rd Quarter	0.285
2nd Quarter	0.275
1st Quarter	0.275

2002 FISCAL YEAR	AMOUNT
4th Quarter	\$0.275
3rd Quarter	0.267
2nd Quarter	0.267
1st Quarter	0.267

HOLDERS

On December 12, 2003, UGI had 9,776 holders of record of Common Stock.

ITEM 6. SELECTED FINANCIAL DATA

	Year Ended September 30,				
	2003 ----	2002 ----	2001(a) -----	2000(a) -----	1999(a) -----
	(Millions of dollars, except per share amounts)				
FOR THE PERIOD:					
INCOME STATEMENT DATA:					
Revenues	\$ 3,026.1 =====	\$ 2,213.7 =====	\$ 2,468.1 =====	\$ 1,761.7 =====	\$ 1,383.6 =====
Income before accounting changes	\$ 98.9	\$ 75.5	\$ 52.0	\$ 44.7	\$ 55.7
Cumulative effect of accounting changes (b)	--	--	4.5	--	--
Net income (c)	\$ 98.9 =====	\$ 75.5 =====	\$ 56.5 =====	\$ 44.7 =====	\$ 55.7 =====
Earnings per common share- basic (d)					
Income before accounting changes	\$ 2.34	\$ 1.83	\$ 1.28	\$ 1.09	\$ 1.16
Cumulative effect of accounting changes, net	--	--	0.11	--	--
Net income - basic	\$ 2.34 =====	\$ 1.83 =====	\$ 1.39 =====	\$ 1.09 =====	\$ 1.16 =====
Earnings per common share - diluted (d)					
Income before accounting changes	\$ 2.29	\$ 1.80	\$ 1.27	\$ 1.09	\$ 1.16
Cumulative effect of accounting changes, net	--	--	0.11	--	--
Net income - diluted (c) (e)	\$ 2.29 =====	\$ 1.80 =====	\$ 1.38 =====	\$ 1.09 =====	\$ 1.16 =====
Cash dividends declared per common share	\$ 1.13 =====	\$ 1.083 =====	\$ 1.050 =====	\$ 1.017 =====	\$ 0.98 =====
AT PERIOD END:					
BALANCE SHEET DATA:					
Total assets	\$ 2,781.7 =====	\$ 2,614.4 =====	\$ 2,550.2 =====	\$ 2,275.8 =====	\$ 2,140.5 =====
Capitalization:					
Debt:					
Bank loans - AmeriGas Propane	\$ --	\$ 10.0	\$ --	\$ 30.0	\$ 22.0
Bank loans - UGI Utilities	40.7	37.2	57.8	100.4	87.4
Bank loans - other	15.9	8.6	10.0	4.3	11.6
Long-term debt (including current maturities):					
AmeriGas Propane	927.3	945.8	1,005.9	857.2	744.7
UGI Utilities	217.3	248.4	208.4	172.9	180.0
Other	78.9	81.5	80.9	85.5	91.6
Total debt	1,280.1 -----	1,331.5 -----	1,363.0 -----	1,250.3 -----	1,137.3 -----
Minority interests in AmeriGas Partners	134.6	276.0	246.2	177.1	209.9
UGI Utilities preferred shares subject to mandatory redemption	20.0	20.0	20.0	20.0	20.0
Common stockholders' equity	569.8	317.3	255.6	247.2	249.2
Total capitalization	\$ 2,004.5 =====	\$ 1,944.8 =====	\$ 1,884.8 =====	\$ 1,694.6 =====	\$ 1,616.4 =====
RATIO OF CAPITALIZATION:					
Total debt	63.9%	68.5%	72.3%	73.8%	70.4%
Minority interest	6.7%	14.2%	13.1%	10.5%	13.0%
UGI Utilities preferred shares subject to mandatory redemption	1.0%	1.0%	1.1%	1.2%	1.2%
Common stockholders' equity	28.4%	16.3%	13.5%	14.5%	15.4%
	100.0% -----	100.0% -----	100.0% -----	100.0% -----	100.0% -----

(a) Arthur Andersen LLP audited our consolidated financial statements for 2001, 2000, and 1999. See Item 15 - Notice Regarding Arthur Andersen LLP.

(b) Includes cumulative effect of accounting changes associated with (1) the Partnership's changes in accounting for tank fee revenue and tank installation costs and (2) the Company's adoption of Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (see Notes 1 and 15 to Consolidated Financial Statements).

(c) Pro forma net income and diluted earnings per share after applying retroactively the Partnership's changes in accounting for tank installation costs and tank fee revenue are as follows: 2000 - \$44.6 and \$1.09; 1999 -

\$55.9 and \$1.17, respectively.

- (d) Earnings per share for all periods presented reflect the effects of the Company's 3-for-2 common stock split distributed April 1, 2003 to shareholders of record on February 28, 2003.
- (e) SFAS No. 142, "Goodwill and Other Intangible Assets," was adopted effective October 1, 2001. Net income and net income per diluted share adjusted to reflect the impact of SFAS No. 142 as if it had been adopted at the beginning of the periods presented are as follows: 2001 - \$70.5 and \$1.72; 2000 - \$59.4 and \$1.45; 1999 - \$68.9 and \$1.43, respectively.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's Discussion and Analysis of Financial Condition and Results of Operations, entitled "Financial Review" and contained on pages 13 through 26 of UGI's 2003 Annual Report to Shareholders, is incorporated in this Report by reference.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

"Quantitative and Qualitative Disclosures About Market Risk" are contained in Management's Discussion and Analysis of Financial Condition and Results of Operations under the caption "Market Risk Disclosures" on pages 23 and 24 of the UGI 2003 Annual Report to Shareholders and are incorporated in this Report by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Financial Statements and Financial Statement Schedules referred to in the Index contained on pages F-2 and F-3 of this Report are incorporated in this Report by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

During fiscal year 2002, UGI engaged a new independent auditor, PricewaterhouseCoopers LLP. The information required by Item 9 is incorporated in this Report by reference to UGI's Current Report on Form 8-K dated May 21, 2002.

ITEM 9A. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures as of the end of the period covered by this report were designed and functioning effectively to provide reasonable assurance that the information required to be disclosed by the Company in reports filed under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. The Company believes that a controls system, no matter how well

designed and operated, cannot provide absolute assurance that the objectives of the controls system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

(b) Change in Internal Control over Financial Reporting

No change in the Company's internal control over financial reporting occurred during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART III: UGI MANAGEMENT AND SECURITY HOLDERS

ITEMS 10 THROUGH 14.

In accordance with General Instruction G(3), and except as set forth below, the information required by Items 10, 11, 12, 13 and 14 is incorporated in this Report by reference to the following portions of UGI's Proxy Statement, which will be filed with the Securities and Exchange Commission by January 28, 2004:

	INFORMATION	CAPTIONS OF PROXY STATEMENT INCORPORATED BY REFERENCE
Item 10.	Directors and Executive Officers of Registrant	Election of Directors - Nominees; Corporate Governance Board Committees and Meeting Attendance Securities Ownership of Management - Section 16(a) - Beneficial Ownership Reporting Compliance
	Copies of the Company's Principles of Corporate Governance and the Code of Ethics for the Chief Executive Officer and Senior Financial Officers of UGI Corporation are available on the Company's website, www.ugicorp.com or by writing to Robert W. Krick, Vice President and Treasurer, UGI Corporation, P. O. Box 858, Valley Forge, PA 19482.	
Item 11.	Executive Compensation	Compensation of Directors Compensation of Executive Officers
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	Securities Ownership of Certain Beneficial Owners Securities Ownership of Management Approval of Proposed UGI Corporation 2004 Equity Compensation Plan - Equity Compensation
Item 13.	Certain Relationships and Related Transactions	Compensation of Executive Officers - Stock Ownership Policy and Indebtedness of Management
Item 14.	Principal Accountant Fees and Services	The Independent Accountants

The information concerning the Company's executive officers required by Item 10 is set forth below.

EXECUTIVE OFFICERS

NAME	AGE	POSITION
-----	---	-----
Lon R. Greenberg	53	Chairman, Director, President and Chief Executive Officer
Eugene V.N. Bissell	50	President and Chief Executive Officer, AmeriGas Propane, Inc.
Robert J. Chaney	61	President and Chief Executive Officer, UGI Utilities, Inc.
Michael J. Cuzzolina	58	Vice President - Accounting and Financial Control; Chief Accounting Officer and Chief Risk Officer
Bradley C. Hall	50	Vice President - New Business Development
Robert H. Knauss	50	Vice President and General Counsel
Anthony J. Mendicino	55	Senior Vice President - Finance and Chief Financial Officer

All officers are elected for a one-year term at the organizational meetings of the respective Boards of Directors held each year.

There are no family relationships between any of the officers or between any of the officers and any of the directors.

Lon R. Greenberg

Mr. Greenberg was elected Chairman of UGI effective August 1, 1996, having been elected Chief Executive Officer effective August 1, 1995. He was elected Director and President of UGI and a Director of UGI Utilities in July 1994. He was elected a Director of AmeriGas Propane, Inc. in 1994 and has been Chairman since 1996. He also served as President and Chief Executive Officer of AmeriGas Propane (1996 to 2000). Mr. Greenberg was Senior Vice President - Legal and Corporate Development (1989 to 1994). He joined the Company in 1980 as Corporate Development Counsel.

Eugene V.N. Bissell

Mr. Bissell is President and Chief Executive Officer of AmeriGas Propane, Inc. (since July 2000), having served as Senior Vice President - Sales and Marketing (1999 to 2000) and Vice President - Sales and Operations (1995 to 1999). Previously, he was Vice President - Distributors and Fabrication, BOC Gases (industrial gases) (1995), having been Vice President - National Sales (1993 to 1995) and Regional Vice President Southern Region for Distributor and Cylinder Gases Division, BOC Gases (1989 to 1993). From 1981 to 1987, Mr. Bissell held various positions with the Company and its subsidiaries, including Director, Corporate Development. Mr. Bissell is immediate past president, and a member of the Board of Directors of the National Propane Gas Association.

Robert J. Chaney

Mr. Chaney is President and Chief Executive Officer of UGI Utilities, Inc., (since March 1999). He previously served as Executive Vice President (1998 to 1999), Vice President and General Manager - Gas Utility Division (1991 to 1998) and Vice President - Rates and Energy Utilization - Gas Utility Division (1981 to 1991) of UGI Utilities, Inc.

Michael J. Cuzzolina

Mr. Cuzzolina was elected Vice President - Accounting and Financial Control, Principal Accounting Officer and Chief Risk Officer of the Company in July 2003. He served as President and Chief Operating Officer of Flaga GmbH from 1999 to 2003. Mr. Cuzzolina joined the Company in 1974 and previously served as Vice President - Accounting and Financial Control (1984 to 1999).

Bradley C. Hall

Mr. Hall is Vice President - New Business Development (since October 1994). He also serves as President of UGI Enterprises, Inc. (since 1994). He joined the Company in 1982 and held various positions in UGI Utilities, Inc., including Vice President - Marketing and Rates.

Robert H. Knauss

Mr. Knauss was elected Vice President and General Counsel on September 30, 2003. He previously served as Vice President - Law and Associate General Counsel of AmeriGas Propane, Inc. (1996 to 2003), and Group Counsel - Propane of UGI (1989 to 1996). He joined the Company in 1985. Previously, Mr. Knauss was an associate at the firm of Ballard, Spahr, Andrews & Ingersoll in Philadelphia.

Anthony J. Mendicino

Mr. Mendicino is Senior Vice President - Finance and Chief Financial Officer (since December 2002). He previously served as Vice President - Finance and Chief Financial Officer (September 1998 to December 2002). Mr. Mendicino served as President and Chief Operating Officer (July 1997 to June 1998) and as Senior Vice President (January 1997 to June 1997) of Eastwind Group, Inc., a holding company formed to acquire and consolidate middle-market

manufacturing businesses. Mr. Mendicino was Senior Vice President and Chief Financial Officer and a director (1987 to 1996) of UTI Energy Corp., a diversified oil field service company. From 1981 to 1987, Mr. Mendicino held various positions with UGI, including Treasurer.

PART IV: ADDITIONAL EXHIBITS, SCHEDULES AND REPORTS

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) DOCUMENTS FILED AS PART OF THIS REPORT:

(1) and (2) The financial statements and financial statement schedules incorporated by reference or included in this report are listed in the accompanying Index to Financial Statements and Financial Statement Schedules set forth on pages F-2 through F-3 of this report, which is incorporated herein by reference.

NOTICE REGARDING ARTHUR ANDERSEN LLP

Arthur Andersen LLP audited our consolidated financial statements for the three years in the period ended September 30, 2001 and issued a report thereon dated November 16, 2001. Arthur Andersen LLP has not reissued their report or consented to the incorporation by reference of such report into the Company's prospectuses for the offer and sale of common stock. On June 15, 2002, Arthur Andersen LLP was convicted of obstruction of justice by a federal jury in Houston, Texas in connection with Arthur Andersen LLP's work for Enron Corp. On September 15, 2002, a federal judge upheld this conviction. Arthur Andersen LLP ceased its audit practice before the SEC on August 31, 2002. Effective May 21, 2002, we terminated the engagement of Arthur Andersen LLP as our independent accountants and engaged PricewaterhouseCoopers LLP to serve as our independent accountants for our fiscal years ending September 30, 2002 and 2003. Because of the circumstances currently affecting Arthur Andersen LLP, as a practical matter it may not be able to satisfy any claims arising from the provision of auditing services to us, including claims available to security holders under federal and state securities laws.

(3) LIST OF EXHIBITS:

The exhibits filed as part of this report are as follows (exhibits incorporated by reference are set forth with the name of the registrant, the type of report and registration number or last date of the period for which it was filed, and the exhibit number in such filing):

INCORPORATION BY REFERENCE

EXHIBIT NO.	EXHIBIT	REGISTRANT	FILING	EXHIBIT
3.1	(Second) Amended and Restated Articles of Incorporation of the Company	UGI	Amendment No. 1 on Form 8 to Form 8-B (4/10/92)	3.(3)(a)
*3.2	Bylaws of UGI as amended through September 30, 2003			
4	Instruments defining the rights of security holders, including indentures. (The Company agrees to furnish to the Commission upon request a copy of any instrument defining the rights of holders of long-term debt not required to be filed pursuant to Item 601(b)(4) of Regulation S-K)			
4.1	Rights Agreement, as amended as of August 18, 2000, between the Company and Mellon Bank, N.A., successor to Mellon Bank (East) N.A., as Rights Agent, and Assumption Agreement dated April 7, 1992	UGI	Registration Statement No. 333-49080	4.3
4.2	The description of the Company's Common Stock contained in the Company's registration statement filed under the Securities Exchange Act of 1934, as amended	UGI	Form 8-B/A (4/17/96)	3.(4)
4.3	UGI's (Second) Amended and Restated Articles of Incorporation and Bylaws referred to in 3.1 and 3.2 above			
4.4	Note Agreement dated as of April 12, 1995 among The Prudential Insurance Company of America, Metropolitan Life Insurance Company, and certain other institutional investors and AmeriGas Propane, L.P., New AmeriGas Propane, Inc. and Petrolane Incorporated	AmeriGas Partners, L.P.	Form 10-Q (3/31/95)	10.8
4.5	First Amendment dated as of September 12, 1997 to Note Agreement dated as of April 12, 1995 ("1995 Note Agreement")	AmeriGas Partners, L.P.	Form 10-K (9/30/97)	4.5

INCORPORATION BY REFERENCE

EXHIBIT NO.	EXHIBIT	REGISTRANT	FILING	EXHIBIT
4.6	Second Amendment dated as of September 15, 1998 to 1995 Note Agreement	AmeriGas Partners, L.P.	Form 10-K (9/30/98)	4.6
4.7	Third Amendment dated as of March 23, 1999 to 1995 Note Agreement	AmeriGas Partners, L.P.	Form 10-Q (3/31/99)	10.2
4.8	Fourth Amendment dated as of March 16, 2000 to 1995 Note Agreement	AmeriGas Partners, L.P.	Form 10-Q (6/30/00)	10.2
4.9	Fifth Amendment dated as of August 1, 2001 to 1995 Note Agreement	AmeriGas Partners, L.P.	Form 10-K (9/30/01)	4.8
4.9(a)	Second Amended and Restated Agreement of Limited Partnership of AmeriGas Partners, L.P.	AmeriGas Partners, L.P.	Form 8-K (9/30/00)	1
4.10	Amended and Restated Agreement of Limited Partnership of AmeriGas Eagle Propane, L.P. dated July 19, 1999	AmeriGas Partners, L.P.	Form 10-K (9/30/01)	3.8
10.1	Service Agreement (Rate FSS) dated as of November 1, 1989 between Utilities and Columbia, as modified pursuant to the orders of the Federal Energy Regulatory Commission at Docket No. RS92-5-000 reported at Columbia Gas Transmission Corp., 64 FERC Para. 61,060 (1993), order on rehearing, 64 FERC Para. 61,365 (1993)	UGI	Form 10-K (9/30/95)	10.5
10.2	Service Agreement (Rate FTS) dated June 1, 1987 between Utilities and Columbia, as modified by Supplement No. 1 dated October 1, 1988; Supplement No. 2 dated November 1, 1989; Supplement No. 3 dated November 1, 1990; Supplement No. 4 dated November 1, 1990; and Supplement No. 5 dated January 1, 1991, as further modified pursuant to the orders of the Federal Energy Regulatory Commission at Docket No. RS92-5-000 reported at Columbia Gas Transmission Corp., 64 FERC Para. 61,060 (1993), order on rehearing, 64 FERC Para. 61,365 (1993)	Utilities	Form 10-K (12/31/90)	(10)o.
10.3	Transportation Service Agreement (Rate FTS-1) dated November 1, 1989 between Utilities and Columbia Gulf Transmission Company, as modified pursuant to the orders of the Federal Energy Regulatory Commission in Docket No. RP93-6-000 reported at Columbia Gulf Transmission Co., 64 FERC Para. 61,060 (1993), order on rehearing, 64 FERC Para. 61,365 (1993)	Utilities	Form 10-K (12/31/90)	(10)p.

INCORPORATION BY REFERENCE

EXHIBIT NO.	EXHIBIT	REGISTRANT	FILING	EXHIBIT
10.4	Amended and Restated Sublease Agreement dated April 1, 1988 between Southwest Salt Co. and AP Propane, Inc. (the "Southwest Salt Co. Agreement")	UGI	Form 10-K (9/30/94)	10.35
10.5	Letter dated July 8, 1998 pursuant to Article 1, Section 1.2 of the Southwest Salt Co. Agreement re: option to renew for period of June 1, 2000 to May 31, 2005 and related extension notice	UGI	Form 10-K (9/30/99)	10.5
10.6**	UGI Corporation Directors Deferred Compensation Plan Amended and Restated as of January 1, 2000	UGI	Form 10-K (9/30/00)	10.6
10.7	[Intentionally omitted]			
10.8**	UGI Corporation Annual Bonus Plan dated March 8, 1996	UGI	Form 10-Q (6/30/96)	10.4
10.9**	UGI Corporation Directors' Equity Compensation Plan Amended and Restated as of April 29, 2003	UGI	Form 10-Q (3/31/03)	10.3
10.10**	UGI Corporation 1997 Stock Option and Dividend Equivalent Plan Amended and Restated as of April 29, 2003	UGI	Form 10-Q (3/31/03)	10.4
10.11**	UGI Corporation 1992 Directors' Stock Plan Amended and Restated as of April 29, 2003	UGI	Form 10-Q (3/31/03)	10.2
10.12**	UGI Corporation Senior Executive Employee Severance Pay Plan effective January 1, 1997	UGI	Form 10-K (9/30/97)	10.12
10.13**	UGI Corporation 2000 Directors' Stock Option Plan Amended and Restated as of April 29, 2003	UGI	Form 10-Q (3/31/03)	10.1
10.14**	UGI Corporation 2000 Stock Incentive Plan Amended and Restated as of April 29, 2003	UGI	Form 10-Q (3/31/03)	10.5
10.15**	1997 Stock Purchase Loan Plan	UGI	Form 10-K (9/30/97)	10.16
10.16**	UGI Corporation Supplemental Executive Retirement Plan Amended and Restated effective October 1, 1996	UGI	Form 10-Q (6/30/98)	10
10.17**	[Intentionally omitted]			
10.18	Credit Agreement dated as of August 28, 2003 among AmeriGas Propane, L.P., AmeriGas Propane, Inc., Petrolane Incorporated, Wachovia Bank, National Association, as Agent, Issuing Bank and Swing Line Bank, and certain banks.	AmeriGas Partners, L.P.	Form 10-K (9/30/03)	10.1
10.19	[Intentionally omitted]			

INCORPORATION BY REFERENCE

EXHIBIT NO.	EXHIBIT	REGISTRANT	FILING	EXHIBIT
10.20	Partnership Agreement of Hunlock Creek Energy Ventures dated December 8, 2001 by and between UGI Hunlock Development Company and Allegheny Energy Supply Hunlock Creek LLC	Utilities	Form 10-K (9/30/01)	10.24
*10.21	Amendment No. 1 to Partnership Agreement of Hunlock Creek Energy Ventures, dated June 26, 2003, by and between UGI Hunlock Development Company and Allegheny Energy Supply Hunlock Creek, LLC			
10.22	Notice of appointment of Wachovia Bank, National Association as collateral Agent effective as of August 28, 2003, pursuant to Intercreditor and Agency Agreement dated as of April 19, 1995	AmeriGas Partners, L.P.	Form 10-K (9/30/03)	10.6
10.23	Intercreditor and Agency Agreement dated as of April 19, 1995 among AmeriGas Propane, Inc., Petrolane Incorporated, AmeriGas Propane, L.P., Bank of America National Trust and Savings Association ("Bank of America") as Agent, Mellon Bank, N.A. as Cash Collateral Sub-Agent, Bank of America as Collateral Agent and certain creditors of AmeriGas Propane, L.P.	AmeriGas Partners, L.P.	Form 10-Q (3/31/95)	10.2
10.23(a)	First Amendment dated as of July 31, 2001 to Intercreditor and Agency Agreement dated as of April 19, 1995	AmeriGas Partners, L.P.	Form 10-K (9/30/01)	10.8
10.24	General Security Agreement dated as of April 19, 1995 among AmeriGas Propane, L.P., Bank of America National Trust and Savings Association and Mellon Bank, N.A.	AmeriGas Partners, L.P.	Form 10-Q (3/31/95)	10.3
10.24(a)	First Amendment dated as of July 31, 2001 to General Security Agreement dated as of April 19, 1995	AmeriGas Partners, L.P.	Form 10-K (9/30/01)	10.10
10.25	Subsidiary Security Agreement dated as of April 19, 1995 among AmeriGas Propane, L.P., Bank of America National Trust and Savings Association as Collateral Agent and Mellon Bank, N.A. as Cash Collateral Agent	AmeriGas Partners, L.P.	Form 10-Q (3/31/95)	10.4
10.25(a)	First Amendment dated as of July 31, 2001 to Subsidiary Security Agreement dated as of April 19, 1995	AmeriGas Partners, L.P.	Form 10-K (9/30/01)	10.12
10.26	Restricted Subsidiary Guarantee dated as of April 19, 1995 by AmeriGas Propane, L.P. for the benefit of Bank of America National Trust and Savings Association, as Collateral Agent	AmeriGas Partners, L.P.	Form 10-Q (3/31/95)	10.5

INCORPORATION BY REFERENCE

EXHIBIT NO.	EXHIBIT	REGISTRANT	FILING	EXHIBIT
10.27	Trademark License Agreement dated April 19, 1995 among UGI Corporation, AmeriGas, Inc., AmeriGas Propane, Inc., AmeriGas Partners, L.P. and AmeriGas Propane, L.P.	AmeriGas Partners, L.P.	Form 10-Q (3/31/95)	10.6
10.28	Trademark License Agreement, dated April 19, 1995 among AmeriGas Propane, Inc., AmeriGas Partners, L.P. and AmeriGas Propane, L.P.	AmeriGas Partners, L.P.	Form 10-Q (3/31/95)	10.7
10.29	Stock Purchase Agreement dated May 27, 1989, as amended and restated July 31, 1989, between Texas Eastern Corporation and QFB Partners	Petrolane Incorporated/ AmeriGas, Inc.	Registration Statement No. 33-69450	10.16(a)
10.30	Pledge Agreement dated September 1999 between Eastfield International Holdings, Inc. and Raiffeisen Zentralbank Österreich Aktiengesellschaft ("RZB")	UGI	Form 10-K (9/30/99)	10.28
10.31	Pledge Agreement dated September 1999 between EuroGas Holdings, Inc. and RZB	UGI	Form 10-K (9/30/99)	10.29
10.32	Form of Guarantee Agreement dated September 1999 between UGI Corporation and RZB relating to loan amount of EURO 74 million	UGI	Form 10-K (9/30/99)	10.30
10.33	Form of Guarantee Agreement dated September 2000 between UGI Corporation and RZB relating to loan amount of EURO 14.9 million	UGI	Form 10-K (9/30/00)	10.33
10.34	Form of Guarantee Agreement dated September 2000 between UGI Corporation and RZB relating to loan amount of EURO 9 million	UGI	Form 10-K (9/30/00)	10.34
10.34(a)	Amendments dated October 11, 2001 to September 1999 Guarantee Agreements between UGI Corporation and RZB	UGI	Form 10-K (9/30/02)	10.34(a)
10.35**	Description of Change of Control arrangements for Messrs. Greenberg, Cuzzolina, Hall, Knauss and Mendicino	UGI	Form 10-K (9/30/99)	10.33
10.36**	Change of Control Agreement for Mr. Chaney	Utilities	Form 10-K (9/30/03)	10.21
10.37**	Description of Change of Control arrangement for Mr. Bissell	AmeriGas Partners, L.P.	Form 10-K (9/30/99)	10.31
10.38**	2002 Non-Qualified Stock Option Plan Amended and Restated as of April 29, 2003	UGI	Form 10-Q (3/31/03)	10.7
10.39**	1992 Non-Qualified Stock Option Plan Amended and Restated as of April 29, 2003	UGI	Form 10-Q (3/31/03)	10.6

INCORPORATION BY REFERENCE

EXHIBIT NO.	EXHIBIT	REGISTRANT	FILING	EXHIBIT
10.40	Service Agreement for comprehensive delivery service (Rate CDS) dated February 23, 1998 between UGI Utilities, Inc. and Texas Eastern Transmission Corporation	UGI	Form 10-K (9/30/00)	10.40
10.41	Service Agreement for comprehensive delivery service (Rate CDS) dated February 23, 1999 between UGI Utilities, Inc. and Texas Eastern Transmission Corporation	UGI	Form 10-K (9/30/00)	10.41
10.42	Purchase Agreement dated January 30, 2001 and Amended and Restated on August 7, 2001 by and among Columbia Energy Group, Columbia Propane Corporation, Columbia Propane, L.P., CP Holdings, Inc., AmeriGas Propane, L.P., AmeriGas Partners, L.P., and AmeriGas Propane, Inc.	AmeriGas Partners, L.P.	Form 8-K (8/8/01)	10.1
10.43	[Intentionally omitted]			
10.44	Agreement by Petrolane Incorporated and certain of its subsidiaries party thereto ("Subsidiaries") for the Sale of the Subsidiaries' Inventory and Assets to the Goodyear Tire & Rubber Company and D.C.H., Inc., as Purchaser, dated as of December 18, 1985	Petrolane Incorporated	Form 10-K (9/23/94)	10.13
10.45	Purchase Agreement by and among Columbia Propane, L.P., CP Holdings, Inc., Columbia Propane Corporation, National Propane Partners, L.P., National Propane Corporation, National Propane SPG, Inc., and Triarc Companies, Inc. dated as of April 5, 1999	National Propane Partners, L.P.	Form 8-K (4/19/99)	10.5
10.46	Capital Contribution Agreement dated as of August 21, 2001 by and between Columbia Propane, L.P. and AmeriGas Propane, L.P. acknowledged and agreed to by CP Holdings, Inc.	AmeriGas Partners, L.P.	Form 8-K (8/21/01)	10.2
10.47	Promissory Note by National Propane L.P., a Delaware limited partnership in favor of Columbia Propane Corporation dated July 19, 1999	AmeriGas Partners, L.P.	Form 10-K (9/30/01)	10.39
10.48	Loan Agreement dated July 19, 1999, between National Propane, L.P. and Columbia Propane Corporation	AmeriGas Partners, L.P.	Form 10-K (9/30/01)	10.40
10.49	First Amendment dated August 21, 2001 to Loan Agreement dated July 19, 1999 between National Propane, L.P. and Columbia Propane Corporation	AmeriGas Partners, L.P.	Form 10-K (9/30/01)	10.41

INCORPORATION BY REFERENCE

EXHIBIT NO.	EXHIBIT	REGISTRANT	FILING	EXHIBIT
10.50	Columbia Energy Group Payment Guaranty dated April 5, 1999	AmeriGas Partners, L.P.	Form 10-K (9/30/01)	10.42
10.51	Keep Well Agreement by and between AmeriGas Propane, L.P. and Columbia Propane Corporation dated August 21, 2001	AmeriGas Partners, L.P.	Form 10-K (9/30/01)	10.46
10.52	Management Services Agreement effective as of August 21, 2001 between AmeriGas Propane, Inc. and AmeriGas Eagle Holdings, Inc., the general partner of AmeriGas Eagle Propane, L.P.	AmeriGas Partners, L.P.	Form 10-K (9/30/01)	10.47
10.53	Storage Transportation Service Agreement (Rate Schedule SST) between Utilities and Columbia dated November 1, 1993, as modified pursuant to orders of the Federal Energy Regulatory Commission	Utilities	Form 10-K (9/30/02)	10.25
10.54	No-Notice Transportation Service Agreement (Rate Schedule NTS) between Utilities and Columbia dated November 1, 1993, as modified pursuant to orders of the Federal Energy Regulatory Commission	Utilities	Form 10-K (9/30/02)	10.26
10.55	No-Notice Transportation Service Agreement (Rate Schedule CDS) between Utilities and Texas Eastern Transmission dated February 23, 1999, as modified pursuant to various orders of the Federal Energy Regulatory Commission	Utilities	Form 10-K (9/30/02)	10.27
10.56	No-Notice Transportation Service Agreement (Rate Schedule CDS) between Utilities and Texas Eastern Transmission dated October 31, 2000, as modified pursuant to various orders of the Federal Energy Regulatory Commission	Utilities	Form 10-K (9/30/02)	10.28
10.57	Firm Transportation Service Agreement (Rate Schedule FT-1) between Utilities and Texas Eastern Transmission dated June 15, 1999, as modified pursuant to various orders of the Federal Energy Regulatory Commission	Utilities	Form 10-K (9/30/02)	10.29
10.58	Firm Transportation Service Agreement (Rate Schedule FT-1) between Utilities and Texas Eastern Transmission dated October 31, 2000, as modified pursuant to various orders of the Federal Energy Regulatory Commission	Utilities	Form 10-K (9/30/02)	10.30
10.59	Firm Transportation Service Agreement (Rate Schedule FT) between Utilities and Transcontinental Gas Pipe Line dated October 1, 1996, as modified pursuant to various orders of the Federal Energy Regulatory Commission	Utilities	Form 10-K (9/30/02)	10.31

INCORPORATION BY REFERENCE

EXHIBIT NO.	EXHIBIT	REGISTRANT	FILING	EXHIBIT
*10.60	Purchase and Sale Agreement dated as of November 30, 2001, as amended by Amendment No. 1 dated as of August 29, 2003 between UGI Energy Services, Inc. and Energy Services Funding Corporation			
*10.61	Receivables Purchase Agreement dated as of November 30, 2001, as amended by Amendment No. 1 dated as of August 29, 2003 among Energy Services Funding Corporation, UGI Energy Services, Inc., Market Street Funding Corporation and PNC Bank, National Association			
*10.62	Performance Guaranty dated as of August 29, 2003 by UGI Corporation in favor of Market Street Funding Corporation and PNC Bank, National Association			
*13	Pages 13 through 55 of the 2003 Annual Report to Shareholders			
*14	Code of Ethics for principal executive, financial and accounting officers			
18	Letter of Arthur Andersen LLP regarding change in accounting principles	AmeriGas Partners, L.P.	Form 10-Q (12/31/00)	18
*21	Subsidiaries of the Registrant			
*23	Consent of PricewaterhouseCoopers LLP			
*31.1	Certification by the Chief Executive Officer relating to the Registrant's Report on Form 10-K for the year ended September 30, 2003 pursuant to Section 302 of the Sarbanes-Oxley Act of 2002			
*31.2	Certification by the Chief Financial Officer relating to the Registrant's Report on Form 10-K for the year ended September 30, 2003 pursuant to Section 302 of the Sarbanes-Oxley Act of 2002			
*32	Certification by the Chief Executive Officer and the Chief Financial Officer relating to the Registrant's Report on Form 10-K for the fiscal year ended September 30, 2003, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.			

* Filed herewith.

** As required by Item 14(a)(3), this exhibit is identified as a compensatory plan or arrangement.

(b) REPORTS ON FORM 8-K:

The Company furnished information in a Current Report on Form 8-K during the fourth quarter of fiscal year 2003 as follows:

Date of Report	Item Number(s)	Content
07/30/03	7, 12	Press Release reporting financial results for the third fiscal quarter ended June 30, 2003

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

UGI CORPORATION

Date: December 16, 2003

By: Anthony J. Mendicino

Anthony J. Mendicino
Senior Vice President - Finance
and Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below on December 16, 2003, by the following persons on behalf of the Registrant in the capacities indicated.

SIGNATURE

TITLE

Lon R. Greenberg
- -----
Lon R. Greenberg

Chairman, President
and Chief Executive Officer
(Principal Executive Officer)
and Director

Anthony J. Mendicino
- -----
Anthony J. Mendicino

Senior Vice President - Finance
and Chief Financial Officer
(Principal Financial Officer)

Michael J. Cuzzolina
- -----
Michael J. Cuzzolina

Vice President - Accounting and
Financial Control
(Principal Accounting Officer)

Stephen D. Ban
- -----
Stephen D. Ban

Director

Thomas F. Donovan
- -----
Thomas F. Donovan

Director

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below on December 16, 2003, by the following persons on behalf of the Registrant in the capacities indicated.

SIGNATURE	TITLE
Richard C. Gozon ----- Richard C. Gozon	Director
Ernest E. Jones ----- Ernest E. Jones	Director
Anne Pol ----- Anne Pol	Director
Marvin O. Schlanger ----- Marvin O. Schlanger	Director
James W. Stratton ----- James W. Stratton	Director

UGI CORPORATION AND SUBSIDIARIES
FINANCIAL INFORMATION
FOR INCLUSION IN ANNUAL REPORT ON FORM 10-K
YEAR ENDED SEPTEMBER 30, 2003

INDEX TO FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES

The consolidated financial statements and supplementary data of UGI Corporation and subsidiaries, together with the report thereon of PricewaterhouseCoopers LLP dated November 17, 2003 and Arthur Andersen LLP dated November 16, 2001, listed in the following index, are included in UGI's 2003 Annual Report to Shareholders and are incorporated in this Form 10-K Annual Report by reference. With the exception of the pages listed in this index and information incorporated in Items 1, 2, 7, 7A and 8, the 2003 Annual Report to Shareholders is not to be deemed filed as part of this Report.

	Reference	
	Form 10-K (page)	Annual Report to Shareholders (page)
Reports of Independent Accountants:		
On Consolidated Financial Statements	Exhibit 13	28
On Financial Statement Schedules	F-4 to F-5	
Financial Statements:		
Consolidated Balance Sheets, September 30, 2003 and 2002	Exhibit 13	30 to 31
For the years ended September 30, 2003, 2002 and 2001:		
Consolidated Statements of Income	Exhibit 13	29
Consolidated Statements of Cash Flows	Exhibit 13	32
Consolidated Statements of Stockholders' Equity	Exhibit 13	33

INDEX TO FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES (CONTINUED)

	Reference	
	Form 10-K (page)	Annual Report to Shareholders (page)
Notes to Consolidated Financial Statements	Exhibit 13	34 to 55
Supplementary Data (unaudited): Quarterly Data for the years ended September 30, 2003 and 2002	Exhibit 13	53
Financial Statement Schedules: For the years ended September 30, 2003, 2002 and 2001:		
I - Condensed Financial Information of Registrant (Parent Company)	S-1 to S-3	
II - Valuation and Qualifying Accounts	S-4 to S-5	

Annual Reports on Form 10-K/A

Annual Reports on Form 10-K/A for the UGI Utilities, Inc. and AmeriGas
Propane, Inc. savings plans will be filed by amendment within the time period
specified by Rule 15d-21(b).

We have omitted all other financial statement schedules because the required
information is either (1) not present; (2) not present in amounts sufficient to
require submission of the schedule; or (3) the information required is included
elsewhere in the financial statements or related notes.

REPORT OF INDEPENDENT AUDITORS

To the Directors and Stockholders of
UGI Corporation:

In our opinion, the consolidated financial statements listed in the index appearing under Item 15a (1) and (2) present fairly, in all material respects, the financial position of UGI Corporation and its subsidiaries at September 30, 2003 and 2002, and the results of their operations and their cash flows for each of the two years in the period ended September 30, 2003 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedules listed in the index appearing under Item 15a (1) and (2) present fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedules are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements and financial statement schedules based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion. The consolidated financial statements of UGI Corporation and its subsidiaries as of and for the year ended September 30, 2001 were audited by other independent accountants who have ceased operations. Those independent accountants expressed an unqualified opinion on those financial statements in their report dated November 16, 2001.

As discussed in Note 1 to the consolidated financial statements, the Company adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" in fiscal 2002.

As discussed above, the consolidated financial statements of UGI Corporation and its subsidiaries for the year ended September 30, 2001, were audited by other independent auditors who have ceased operations. As described in Note 1, these financial statements have been restated to reflect a 3-for-2 common stock split. We audited the adjustments described in Note 1 that were applied to restate the 2001 consolidated financial statements for the 3-for-2 common stock split. In our opinion, such adjustments are appropriate and have been properly applied. As described in Note 1, these financial statements have also been revised to include the transitional disclosures required by Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" which was adopted by the Company as of October 1, 2001. We audited the transitional disclosures described in Note 1. In our opinion, the transitional disclosures for 2001 in Note 1 are appropriate. However, we were not engaged to audit, review or apply procedures to the 2001 consolidated financial statements of the Company other than with respect to such adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2001 consolidated financial statements taken as a whole.

PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
November 17, 2003

THIS REPORT IS A COPY OF THE PREVIOUSLY ISSUED ACCOUNTANT'S
REPORT OF ARTHUR ANDERSEN LLP AND HAS NOT BEEN REISSUED BY
ARTHUR ANDERSEN LLP.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and Stockholders of UGI Corporation:

We have audited, in accordance with auditing standards generally accepted in the United States, the consolidated financial statements included in UGI Corporation's annual report to shareholders for the year ended September 30, 2001, incorporated by reference in this Form 10-K, and have issued our report thereon dated November 16, 2001. Our report on the financial statements includes an explanatory paragraph with respect to the changes in the method of accounting for tank installation costs and nonrefundable tank fees and the adoption of SFAS No. 133 as discussed in Notes 1 and 3 to the financial statements. Our audits were made for the purpose of forming an opinion on those basic consolidated financial statements taken as a whole. The schedules listed in the Index on pages F-2 and F-3 are the responsibility of UGI Corporation's management and are presented for purposes of complying with the Securities and Exchange Commission's rules and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly state in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

ARTHUR ANDERSEN LLP

Philadelphia, Pennsylvania
November 16, 2001

UGI CORPORATION AND SUBSIDIARIES

SCHEDULE I - CONDENSED FINANCIAL INFORMATION OF REGISTRANT (PARENT COMPANY)

BALANCE SHEETS
(Millions of dollars)

	September 30,	
ASSETS	2003	2002
- - - - -	- - - - -	- - - - -
Current assets:		
Cash and cash equivalents	\$ 0.6	\$ 0.2
Accounts and notes receivable	1.7	2.2
Deferred income taxes	0.2	0.2
Prepaid expenses and other current assets	0.5	0.3
	- - - - -	- - - - -
Total current assets	3.0	2.9
Investments in subsidiaries	689.4	388.4
Other assets	8.5	4.5
	- - - - -	- - - - -
Total assets	\$700.9	\$395.8
	=====	=====
LIABILITIES AND COMMON STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts and notes payable	\$ 10.7	\$ 10.2
Accrued liabilities	7.7	3.8
	- - - - -	- - - - -
Total current liabilities	18.4	14.0
Noncurrent liabilities	112.7	64.0
Commitments and contingencies		
Common stockholders' equity:		
Common Stock, without par value (authorized - 150,000,000 shares; issued - 49,798,097 shares)	582.4	396.6
Retained earnings	90.9	39.7
Accumulated other comprehensive income	4.7	6.6
	- - - - -	- - - - -
Less treasury stock, at cost	678.0	442.9
	(108.2)	(125.1)
	- - - - -	- - - - -
Total common stockholders' equity	569.8	317.8
	- - - - -	- - - - -
Total liabilities and common stockholders' equity	\$700.9	\$395.8
	=====	=====

Commitments and Contingencies:

In addition to the guarantees of FLAGA debt described in Note 4 to Consolidated Financial Statements, at September 30, 2003, UGI Corporation had agreed to indemnify the issuers of \$42.0 of surety bonds issued on behalf of certain UGI subsidiaries. As of September 30, 2003, UGI Corporation is authorized to guarantee up to \$10.0 and \$180.0 of supplier obligations on behalf of UGI Development Company and UGI Energy Services, Inc., respectively. At September 30, 2003, UGI Corporation had guarantees outstanding of \$2.0 and \$152.6 on behalf of UGI Development Company and UGI Energy Services, Inc., respectively.

UGI CORPORATION AND SUBSIDIARIES

SCHEDULE I - CONDENSED FINANCIAL INFORMATION OF REGISTRANT (PARENT COMPANY)

STATEMENTS OF INCOME
(Millions of dollars, except per share amounts)

	Year Ended September 30,		
	2003	2002	2001
Revenues	\$-	\$-	\$-
Costs and expenses:			
Operating and administrative expenses	18.6	13.6	10.8
Other income, net	(17.6)	(12.4)	(9.7)
	1.0	1.2	1.1
Operating loss	(1.0)	(1.2)	(1.1)
Interest expense on intercompany debt	(1.5)	(1.3)	(2.4)
Loss before income taxes	(2.5)	(2.5)	(3.5)
Income tax benefit	(2.4)	(0.9)	(0.7)
Loss before equity in income of unconsolidated subsidiaries	(0.1)	(1.6)	(2.8)
Equity in income before accounting changes of unconsolidated subsidiaries	99.0	77.1	54.8
Income before equity in accounting changes of unconsolidated subsidiaries	98.9	75.5	52.0
Equity in accounting changes of unconsolidated subsidiaries	--	--	4.5
Net income	\$ 98.9	\$ 75.5	\$ 56.5
Earnings per common share:			
Basic:			
Income before accounting changes	\$ 2.34	\$ 1.83	\$ 1.28
Cumulative effect of accounting changes, net	--	--	0.11
Net income	\$ 2.34	\$ 1.83	\$ 1.39
Diluted:			
Income before accounting changes	\$ 2.29	\$ 1.80	\$ 1.27
Cumulative effect of accounting changes, net	--	--	0.11
Net income	\$ 2.29	\$ 1.80	\$ 1.38
Average common shares outstanding (millions):			
Basic	42.220	41.325	40.745
Diluted	43.236	41.907	41.060

SCHEDULE I - CONDENSED FINANCIAL INFORMATION OF REGISTRANT (PARENT COMPANY)

STATEMENTS OF CASH FLOWS
(Millions of dollars)

	Year Ended September 30,		
	2003	2002	2001
	----	----	----
NET CASH PROVIDED BY OPERATING ACTIVITIES (A)	\$ 97.2	\$113.9	\$108.3
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investments in unconsolidated subsidiaries	(117.1)	(101.5)	(49.2)
Net repayments (advances) to unconsolidated subsidiary	--	13.0	(13.0)
	-----	-----	-----
Net cash used by investing activities	(117.1)	(88.5)	(62.2)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Payment of dividends on Common Stock	(47.8)	(44.8)	(53.2)
Issuance of intercompany long-term debt	44.5	8.0	--
Issuance of Common Stock	23.7	11.0	7.6
Repurchases of Common Stock	(0.1)	--	(1.0)
	-----	-----	-----
Net cash used by financing activities	20.3	(25.8)	(46.6)
	-----	-----	-----
Cash and cash equivalents increase (decrease)	\$ 0.4	\$ (0.4)	\$ (0.5)
	=====	=====	=====
Cash and cash equivalents:			
End of period	\$ 0.6	\$ 0.2	\$ 0.6
Beginning of period	0.2	0.6	1.1
	-----	-----	-----
Increase (decrease)	\$ 0.4	\$ (0.4)	\$ (0.5)
	=====	=====	=====

(a) Includes dividends received from unconsolidated subsidiaries of \$94.0, \$111.7 and \$110.4, respectively, for the years ended September 30, 2003, 2002 and 2001.

UGI CORPORATION AND SUBSIDIARIES
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

(Millions of dollars)

	Balance at beginning of year	Charged (credited) to costs and expenses	Other	Balance at end of year

YEAR ENDED SEPTEMBER 30, 2003				

Reserves deducted from assets in the consolidated balance sheet:				
Allowance for doubtful accounts	\$ 11.8	\$ 18.5	\$(15.8)(1)	\$ 14.8
	=====			=====
			\$ 0.3 (2)	
Other reserves:				
Self-insured property and casualty liability	\$ 42.7	\$ 21.2	\$(15.1)(3)	\$ 48.4
	=====			=====
			(0.4)(2)	
Insured property and casualty liability	\$ 3.5	\$ (2.8)	\$ (0.1)(2)	\$ 0.6
	=====			=====
Environmental, litigation and other	\$ 13.9	\$ 6.0	\$ (4.6)(3)	\$ 15.7
	=====			=====
			0.4 (2)	
YEAR ENDED SEPTEMBER 30, 2002				

Reserves deducted from assets in the consolidated balance sheet:				
Allowance for doubtful accounts	\$ 15.6	\$ 14.2	\$(18.0)(1)	\$ 11.8
	=====			=====
Allowance for amortization of other deferred costs - AmeriGas Propane	\$ 1.1	\$ -	\$ (1.1)(2)	\$ -
	=====			=====
Other reserves:				
Self-insured property and casualty liability	\$ 37.4	\$ 19.0	\$(15.6)(3)	\$ 42.7
	=====			=====
			1.9 (2)	
Insured property and casualty liability	\$ 1.5	\$ -	\$ 2.0 (2)	\$ 3.5
	=====			=====
Environmental, litigation and other	\$ 11.7	\$ 3.7	\$ (2.6)(3)	\$ 13.9
	=====			=====
			1.1 (2)	

UGI CORPORATION AND SUBSIDIARIES
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS (CONTINUED)
(Millions of dollars)

YEAR ENDED SEPTEMBER 30, 2001

Reserves deducted from assets in
the consolidated balance sheet:

Allowance for doubtful accounts	\$ 9.3	\$18.3	\$ (11.7)(1)	\$ 15.6
	=====		(0.3)(2)	=====
Allowance for amortization of other deferred costs - AmeriGas Propane	\$ 1.0	\$ 0.1	\$ -	\$ 1.1
	=====			=====

Other reserves:

Self-insured property and casualty liability	\$ 36.3	\$15.8	\$ (15.2)(3)	\$ 37.4
	=====		0.5 (2)	=====
Insured property and casualty liability	\$ 2.1	\$(0.6)	\$ -	\$ 1.5
	=====			=====
Environmental, litigation and other	\$ 12.0	\$ 1.9	\$ (2.6)(3)	\$ 11.7
	=====		0.4 (2)	=====

(1) Uncollectible accounts written off, net of recoveries.

(2) Other adjustments.

(3) Payments, net.

EXHIBIT INDEX

EXHIBIT NO.	DESCRIPTION
3.2	Bylaws of UGI as amended through September 30, 2003
10.21	Amendment No. 1 to Partnership Agreement of Hunlock Creek Energy Ventures dated June 26, 2003
10.60	Purchase and Sale Agreement dated as of November 30, 2001, and amended by Amendment No. 1 dated as of August 29, 2003 between UGI Energy Services, Inc. and Energy Services Funding Corporation
10.61	Receivables Purchase Agreement dated as of November 30, 2001, as amended by Amendment No. 1 dated as of August 29, 2003 among Energy Services Funding Corporation, UGI Energy Services, Inc., Market Street Funding Corporation and PNC Bank, National Association
10.62	Performance Guaranty dated as of August 29, 2003 by UGI Corporation in favor of Market Street Funding Corporation and PNC Bank, National Association
13	Pages 13 through 55 of the 2003 Annual Report to Shareholders
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21	Subsidiaries of the Registrant
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31.1	Certification by the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act
31.2	Certification by the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act
32	Certification by the Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act

BYLAWS
OF
UGI CORPORATION
(A PENNSYLVANIA REGISTERED CORPORATION)

ARTICLE I

OFFICES AND FISCAL YEAR

SECTION 1.01. REGISTERED OFFICE. The registered office of the corporation in the Commonwealth of Pennsylvania shall be at 460 North Gulph Road, King of Prussia, Montgomery County, Pennsylvania 19406, until otherwise established by an amendment of the articles of incorporation (the "articles") or by the board of directors and a record of such change is filed with the Department of State in the manner provided by law.

SECTION 1.02. OTHER OFFICES. The corporation may also have offices at such other places within or without the Commonwealth of Pennsylvania as the board of directors may from time to time appoint or the business of the corporation may require.

SECTION 1.03. FISCAL YEAR. The fiscal year of the corporation shall begin on the first day of October in each year.

ARTICLE II

NOTICE-WAIVERS-MEETINGS GENERALLY

SECTION 2.01. MANNER OF GIVING NOTICE.

(a) General Rule. Any notice required to be given to any person under the provisions of the Business Corporation Law or by the articles or these bylaws, shall be given to the person either personally or by sending a copy thereof:

(1) By first class or express mail, postage prepaid, or courier service, charges prepaid, to his or her postal address appearing on the books of the corporation or, in the case of directors, supplied by the director to the corporation for the purpose of notice. Notice pursuant to this clause (1) shall be deemed to have been given to the person entitled thereto when deposited in the United States mail or with a courier service for delivery to that person. A notice of meeting shall specify the place, day and hour of the meeting and any other information required by any other provision of the Business Corporation Law, the articles or these bylaws.

(2) By facsimile transmission, e-mail or other electronic communication to his or her facsimile number or address for e-mail or other electronic communications supplied by

him or her to the corporation for the purpose of notice. Notice pursuant to this clause (2) shall be deemed to have been given to the person entitled thereto when sent.

(b) Bulk Mail. If the corporation has more than 30 shareholders, notice of any regular or special meeting of the shareholders, or any other notice required by the Business Corporation Law or by the articles or these bylaws to be given to all shareholders or to all holders of a class or series of shares, may be given by any class of postpaid mail if the notice is deposited in the United States mail at least 20 days prior to the day named for the meeting or any corporate or shareholder action specified in the notice.

(c) Adjourned Shareholder Meetings. When a meeting of shareholders is adjourned, it shall not be necessary to give any notice of the adjourned meeting or of the business to be transacted at an adjourned meeting, other than by announcement at the meeting at which the adjournment is taken, unless the board fixes a new record date for the adjourned meeting in which event notice shall be given in accordance with Section 2.03.

SECTION 2.02. NOTICE OF MEETINGS OF BOARD OF DIRECTORS. Notice of a regular meeting of the board of directors need not be given. Notice of every special meeting of the board of directors shall be given to each director by telephone or in writing at least 24 hours (in the case of notice by telephone, facsimile transmission, e-mail or other electronic communication) or 48 hours (in the case of notice by telegraph, courier service or express mail) or five days (in the case of notice by first class mail) before the time at which the meeting is to be held. Every such notice shall state the time and place of the meeting. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the board need be specified in a notice of the meeting.

SECTION 2.03. NOTICE OF MEETINGS OF SHAREHOLDERS.

(a) General Rule. Except as otherwise provided in Section 2.01(b) or in the articles, written notice of every meeting of the shareholders shall be given by, or at the direction of, the secretary or other authorized person to each shareholder of record entitled to vote at the meeting at least (1) ten days prior to the day named for a meeting (and, in case of a meeting called to consider a merger, consolidation, share exchange or division, to each shareholder of record not entitled to vote at the meeting) called to consider a fundamental change under 15 Pa.C.S. Chapter 19 or (2) five days prior to the day named for the meeting in any other case. If the secretary neglects or refuses to give notice of a meeting, the person or persons calling the meeting may do so. In the case of a special meeting of shareholders, the notice shall specify the general nature of the business to be transacted.

(b) Notice of Action by Shareholders on Bylaws. In the case of a meeting of shareholders that has as one of its purposes action on the bylaws, written notice shall be given to each shareholder that the purpose, or one of the purposes, of the meeting is to consider the adoption, amendment or repeal of the bylaws. There shall be included in, or enclosed with, the notice a copy of the proposed amendment or a summary of the changes to be effected thereby.

(c) Notice of Action by Shareholders on Fundamental Change. In the case of a meeting of the shareholders that has as one of its purposes action with respect to any fundamental change under 15 Pa.C.S. Chapter 19, each shareholder shall be given, together with written notice of the meeting, a copy or summary of the amendment or plan to be considered at the meeting in compliance with the provisions of Chapter 19.

(d) Notice of Action by Shareholders Giving Rise to Dissenters' Rights. In the case of a meeting of the shareholders that has as one of its purposes action that would give rise to dissenters' rights under the provisions of 15 Pa.C.S. Subchapter 15D, each shareholder, to the extent entitled thereto under the Business Corporation Law, shall be given, together with written notice of the meeting:

(1) a statement that the shareholders have a right to dissent and obtain payment of the fair value of their shares by complying with the provisions of Subchapter 15D (relating to dissenters' rights); and

(2) a copy of Subchapter 15D.

SECTION 2.04. WAIVER OF NOTICE.

(a) Written Waiver. Whenever any written notice is required to be given under the provisions of the Business Corporation Law, the articles or these bylaws, a waiver thereof in writing, signed by the person or persons entitled to the notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of the notice. Neither the business to be transacted at, nor the purpose of, a meeting need be specified in the waiver of notice of the meeting.

(b) Waiver by Attendance. Attendance of a person at any meeting shall constitute a waiver of notice of the meeting except where a person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting was not lawfully called or convened.

SECTION 2.05. MODIFICATION OF PROPOSAL CONTAINED IN NOTICE. Whenever the language of a proposed resolution is included in a written notice of a meeting required to be given under the provisions of the Business Corporation Law or the articles or these bylaws, the meeting considering the resolution may without further notice adopt it with such clarifying or other amendments as do not enlarge its original purpose.

SECTION 2.06. EXCEPTION TO REQUIREMENT OF NOTICE.

(a) General Rule. Whenever any notice or communication is required to be given to any person under the provisions of the Business Corporation Law or by the articles or these bylaws or by the terms of any agreement or other instrument or as a condition precedent to taking any corporate action and communication with that person is then unlawful, the giving of the notice or communication to that person shall not be required.

(b) Shareholders Without Forwarding Addresses. Notice or other communications need not be sent to any shareholder with whom the corporation has been unable to communicate for more than 24 consecutive months because communications to the shareholder are returned unclaimed or the shareholder has otherwise failed to provide the corporation with a current address. Whenever the shareholder provides the corporation with a current address, the corporation shall commence sending notices and other communications to the shareholder in the same manner as to other shareholders.

SECTION 2.07. USE OF CONFERENCE TELEPHONE AND OTHER TECHNOLOGY. Any director may participate in any meeting of the board of directors, and the board of directors may provide by resolution with respect to a specific meeting or with respect to a class of meetings that one or more persons may participate in a meeting of the shareholders of the corporation, by means of conference telephone or other electronic technology by means of which all persons participating in the meeting can hear each other. Participation in a meeting pursuant to this section shall constitute presence in person at the meeting.

ARTICLE III

SHAREHOLDERS

SECTION 3.01. PLACE OF MEETING. All meetings of the shareholders of the corporation shall be held at the registered office of the corporation unless another place is designated by the board of directors in the notice of a meeting. If a meeting of shareholders is held by means of the Internet or other electronic technology pursuant to which the shareholders have an opportunity to read or hear the proceedings substantially concurrently with their occurrence, vote on matters submitted to the shareholders and pose questions to the directors, the meeting need not be held at a particular geographic location.

SECTION 3.02. ANNUAL MEETING. The board of directors may fix and designate the date and time of the annual meeting of the shareholders, but if no such date and time is fixed and designated by the board, the meeting for any calendar year shall be held on the first Tuesday in March in such year, if not a legal holiday under the laws of Pennsylvania, and, if a legal holiday, then on the next succeeding business day, not a Saturday, at 10:00 o'clock A.M., and at said meeting the shareholders then entitled to vote shall elect directors and shall transact such other business as may properly be brought before the meeting. If the annual meeting shall not have been called and held within six months after the designated time, any shareholder may call the meeting at any time thereafter.

SECTION 3.03. SPECIAL MEETINGS. Special meetings of the shareholders may be called at any time by the chief executive officer or by resolution of the board of directors, who may fix the date, time and place of the meeting. If the chief executive officer or the board does not fix the date, time or place of the meeting, it shall be the duty of the secretary to do so. A date fixed by the secretary shall not be more than 60 days after the date of the receipt of the request from the chief executive officer or adoption of the resolution of the board calling the special meeting.

SECTION 3.04. QUORUM AND ADJOURNMENT.

(a) General Rule. A meeting of shareholders of the corporation duly called shall not be organized for the transaction of business unless a quorum is present. The presence of shareholders entitled to cast at least a majority of the votes that all shareholders are entitled to cast on a particular matter to be acted upon at the meeting shall constitute a quorum for the purposes of consideration and action on the matter. Shares of the corporation owned, directly or indirectly, by it and controlled, directly or indirectly, by the board of directors of this corporation, as such, shall not be counted in determining the total number of outstanding shares for quorum purposes at any given time.

(b) Withdrawal of a Quorum. The shareholders present at a duly organized meeting can continue to do business until adjournment notwithstanding the withdrawal of enough shareholders to leave less than a quorum.

(c) Adjournments Generally. Any regular or special meeting of the shareholders, including one at which directors are to be elected and one which cannot be organized because a quorum has not attended, may be adjourned for such period and to such place as the shareholders present and entitled to vote shall direct.

(d) Electing Directors at Adjourned Meeting. Those shareholders entitled to vote who attend a meeting called for the election of directors that has been previously adjourned for lack of a quorum, although less than a quorum as fixed in this section, shall nevertheless constitute a quorum for the purpose of electing directors.

(e) Other Action in Absence of Quorum. Those shareholders entitled to vote who attend a meeting of shareholders that has been previously adjourned for one or more periods aggregating at least 15 days because of an absence of a quorum, although less than a quorum as fixed in this section, shall nevertheless constitute a quorum for the purpose of acting upon any matter set forth in the notice of the meeting if the notice states that those shareholders who attend the adjourned meeting shall nevertheless constitute a quorum for the purpose of acting upon the matter.

(f) Effect of Proxy on Quorum. - If a proxy casts a vote on behalf of a shareholder on any issue other than a procedural motion considered at a meeting of shareholders, the shareholder shall be deemed to be present during the entire meeting for purposes of determining whether a quorum is present for consideration of any other issue.

SECTION 3.05. ACTION BY SHAREHOLDERS. Except as otherwise provided in the Business Corporation Law or the articles or these bylaws, whenever any corporate action is to be taken by vote of the shareholders of the corporation, it shall be authorized upon receiving the affirmative vote of a majority of the votes cast by all shareholders entitled to vote thereon and, if any shareholders are entitled to vote thereon as a class, upon receiving the affirmative vote of a majority of the votes cast by the shareholders entitled to vote as a class. Except when acting by unanimous consent to remove a director or directors, the shareholders of the corporation may act only at a duly organized meeting.

SECTION 3.06. CONDUCT OF SHAREHOLDERS MEETING. At every meeting of the shareholders, the chairman of the board, if there be one, or, in the case of vacancy in office or absence of the chairman of the board, one of the following persons present in the order stated: the vice chairman of the board, if there be one, the president, the vice presidents in their order of rank and seniority, or a person chosen by vote of the shareholders present, shall act as the presiding officer of the meeting. The secretary or, in the absence of the secretary, an assistant secretary, or, in the absence of both the secretary and assistant secretaries, a person appointed by the chairman of the meeting, shall act as secretary of the meeting. Except as otherwise provided by prior action of the board of directors, the presiding officer of the meeting shall determine the order of business and shall have the authority to establish rules for the conduct of the meeting.

SECTION 3.07. VOTING RIGHTS OF SHAREHOLDERS. Unless otherwise provided in the articles, every shareholder of the corporation shall be entitled to one vote for every share standing in the name of the shareholder on the books of the corporation.

SECTION 3.08. VOTING AND OTHER ACTION BY PROXY.

(a) General Rule.

(1) Every shareholder entitled to vote at a meeting of shareholders may authorize another person to act for the shareholder by proxy.

(2) The presence of, or vote or other action at a meeting of shareholders by a proxy of a shareholder shall constitute the presence of, or vote or action by the shareholder.

(3) Where two or more proxies of a shareholder are present, the corporation shall, unless otherwise expressly provided in the proxy, accept as the vote of all shares represented thereby the vote cast by a majority of them and, if a majority of the proxies cannot agree whether the shares represented shall be voted or upon the manner of voting the shares, the voting of the shares shall be divided equally among those persons.

(b) Execution and Filing. Every proxy shall be executed or authenticated by the shareholder or by the duly authorized attorney-in-fact of the shareholder and filed with or transmitted to the secretary of the corporation or its designated agent. A shareholder or his or her duly authorized attorney-in fact may execute or authenticate a writing or transmit an electronic message authorizing another person to act for such shareholder by proxy. A telegram, telex, cablegram, datagram, email, Internet communication or other means of electronic transmission from a shareholder or attorney-in-fact, or a photographic, facsimile or similar reproduction of a writing executed by a shareholder or attorney-in-fact:

(1) may be treated as properly executed or authenticated for purposes of this subsection; and

(2) shall be so treated if it sets forth or utilizes a confidential and unique identification number or other mark furnished by the corporation to the shareholder for the purposes of a particular meeting or transaction.

(c) Revocation. A proxy, unless coupled with an interest, shall be revocable at will, notwithstanding any other agreement or any provision in the proxy to the contrary, but the revocation of a proxy shall not be effective until written notice thereof has been given to the secretary of the corporation or its designated agent in writing or by electronic transmission. An unrevoked proxy shall not be valid after three years from the date of its execution, authentication or transmission unless a longer time is expressly provided therein. A proxy shall not be revoked by the death or incapacity of the maker unless, before the vote is counted or the authority is exercised, written notice of the death or incapacity is given to the secretary of the corporation or its designated agent.

(d) Expenses. The corporation shall pay the reasonable expenses of solicitation of votes, proxies or consents of shareholders by or on behalf of the board of directors or its nominees for election to the board, including solicitation by professional proxy solicitors and otherwise.

SECTION 3.09. VOTING BY FIDUCIARIES AND PLEDGEEES. Shares of the corporation standing in the name of a trustee or other fiduciary and shares held by an assignee for the benefit of creditors or by a receiver may be voted by the trustee, fiduciary, assignee or receiver. A shareholder whose shares are pledged shall be entitled to vote the shares until the shares have been transferred into the name of the pledgee, or a nominee of the pledgee, but nothing in this section shall affect the validity of a proxy given to a pledgee or nominee.

SECTION 3.10. VOTING BY JOINT HOLDERS OF SHARES.

(a) General Rule. Where shares of the corporation are held jointly or as tenants in common by two or more persons, as fiduciaries or otherwise:

(1) if only one or more of such persons is present in person or by proxy, all of the shares standing in the names of such persons shall be deemed to be represented for the purpose of determining a quorum and the corporation shall accept as the vote of all the shares the vote cast by a joint owner or a majority of them; and

(2) if the persons are equally divided upon whether the shares held by them shall be voted or upon the manner of voting the shares, the voting of the shares shall be divided equally among the persons without prejudice to the rights of the joint owners or the beneficial owners thereof among themselves.

(b) Exception. If there has been filed with the secretary of the corporation a copy, certified by an attorney at law to be correct, of the relevant portions of the agreement under which the shares are held or the instrument by which the trust or estate was created or the order of court appointing them or of an order of court directing the voting of the shares, the persons specified as having such voting power in the document latest in date of operative effect so filed, and only those persons, shall be entitled to vote the shares but only in accordance therewith.

SECTION 3.11. VOTING BY CORPORATIONS.

(a) Voting by Corporate Shareholders. Any corporation that is a shareholder of this corporation may vote at meetings of shareholders of this corporation by any of its officers or agents, or by proxy appointed by any officer or agent, unless some other person, by resolution of the board of directors of the other corporation or a provision of its articles or bylaws, a copy of which resolution or provision certified to be correct by one of its officers has been filed with the secretary of this corporation, is appointed its general or special proxy in which case that person shall be entitled to vote the shares.

(b) Controlled Shares. Shares of this corporation owned, directly or indirectly, by it and controlled, directly or indirectly, by the board of directors of this corporation, as such, shall not be voted at any meeting and shall not be counted in determining the total number of outstanding shares for voting purposes at any given time.

SECTION 3.12. DETERMINATION OF SHAREHOLDERS OF RECORD.

(a) Fixing Record Date. The board of directors may fix a time prior to the date of any meeting of shareholders as a record date for the determination of the shareholders entitled to notice of, or to vote at, the meeting, which time, except in the case of an adjourned meeting, shall be not more than 90 days prior to the date of the meeting of shareholders. Only shareholders of record on the date fixed shall be so entitled notwithstanding any transfer of shares on the books of the corporation after any record date fixed as provided in this subsection. The board of directors may similarly fix a record date for the determination of shareholders of record for any other purpose. When a determination of shareholders of record has been made as provided in this section for purposes of a meeting, the determination shall apply to any adjournment thereof unless the board fixes a new record date for the adjourned meeting.

(b) Determination When a Record Date is Not Fixed. If a record date is not fixed:

(1) The record date for determining shareholders entitled to notice of or to vote at a meeting of shareholders shall be at the close of business on the day next preceding the day on which notice is given.

(2) The record date for determining shareholders for any other purpose shall be at the close of business on the day on which the board of directors adopts the resolution relating thereto.

(c) Certification by Nominee. The board of directors may adopt a procedure whereby a shareholder of the corporation may certify in writing to the corporation that all or a portion of the shares registered in the name of the shareholder are held for the account of a specified person or persons. Upon receipt by the corporation of a certification complying with the procedure, the persons specified in the certification shall be deemed, for the purposes set forth in the certification, to be the holders of record of the number of shares specified in place of the shareholder making the certification.

SECTION 3.13. VOTING LISTS.

(a) General Rule. The officer or agent having charge of the transfer books for shares of the corporation shall make a complete list of the shareholders entitled to vote at any meeting of shareholders, arranged in alphabetical order, with the address of and the number of shares held by each. The list shall be produced and kept open at the time and place of the meeting and shall be subject to the inspection of any shareholder during the whole time of the meeting for the purposes thereof except that, if the corporation has 5,000 or more shareholders, in lieu of the making of the list the corporation may make the information therein available at the meeting by any other means.

(b) Effect of List. Failure to comply with the requirements of this section shall not affect the validity of any action taken at a meeting prior to a demand at the meeting by any shareholder entitled to vote thereat to examine the list. The original share register or transfer book, or a duplicate thereof kept in the Commonwealth of Pennsylvania, shall be prima facie evidence as to who are the shareholders entitled to examine the list or share register or transfer book or to vote at any meeting of shareholders.

SECTION 3.14. JUDGES OF ELECTION.

(a) Appointment. In advance of any meeting of shareholders of the corporation, the board of directors may appoint judges of election, who need not be shareholders, to act at the meeting or any adjournment thereof. If judges of election are not so appointed, the presiding officer of the meeting may, and on the request of any shareholder shall, appoint judges of election at the meeting. The number of judges shall be one or three. A person who is a candidate for an office to be filled at the meeting shall not act as a judge.

(b) Vacancies. In case any person appointed as a judge fails to appear or fails or refuses to act, the vacancy may be filled by appointment made by the board of directors in advance of the convening of the meeting or at the meeting by the presiding officer thereof.

(c) Duties. The judges of election shall determine the number of shares outstanding and the voting power of each, the shares represented at the meeting, the existence of a quorum, and the authenticity, validity and effect of proxies, receive votes or ballots, hear and determine all challenges and questions in any way arising in connection with nominations by shareholders or the right to vote, count and tabulate all votes, determine the result and do such acts as may be proper to conduct the election or vote with fairness to all shareholders. The judges of election shall perform their duties impartially, in good faith, to the best of their ability and as expeditiously as is practical. If there are three judges of election, the decision, act or certificate of a majority shall be effective in all respects as the decision, act or certificate of all.

(d) Report. On request of the presiding officer of the meeting or of any shareholder, the judges shall make a report in writing of any challenge or question or matter determined by them, and execute a certificate of any fact found by them. Any report or certificate made by them shall be prima facie evidence of the facts stated therein.

SECTION 3.15. MINORS AS SECURITY HOLDERS. The corporation may treat a minor who holds shares or obligations of the corporation as having capacity to receive and to empower others to receive dividends, interest, principal and other payments or distributions, to vote or express consent or dissent and to make elections and exercise rights relating to such shares or obligations unless, in the case of payments or distributions on shares, the corporate officer responsible for maintaining the list of shareholders or the transfer agent of the corporation or, in the case of payments or distributions on obligations, the treasurer or paying officer or agent has received written notice that the holder is a minor.

SECTION 3.16. USE OF CONFERENCE TELEPHONE OR OTHER TECHNOLOGY. The presence or participation, including voting and taking other action, at a meeting of shareholders, or the expression of consent or dissent to corporate action, by a shareholder by conference telephone or other electronic means, including the Internet, shall constitute the presence of, or vote or action by, or consent or dissent of the shareholder for purposes of the Business Corporation Law, the articles and these bylaws.

ARTICLE IV

BOARD OF DIRECTORS

SECTION 4.01. POWERS; PERSONAL LIABILITY.

(a) General Rule. Unless otherwise provided by statute, all powers vested by law in the corporation shall be exercised by or under the authority of, and the business and affairs of the corporation shall be managed under the direction of, the board of directors.

(b) Personal Liability of Directors.

(1) A director shall not be personally liable, as such, for monetary damages (including, without limitation, any judgment, amount paid in settlement, penalty, punitive damages or expense of any nature (including, without limitation, attorneys' fees and disbursements)) for any action taken, or any failure to take any action, unless:

(i) the director has breached or failed to perform the duties of his or her office under Subchapter 17B of the Business Corporation Law or any successor provision; and

(ii) the breach or failure to perform constitutes self-dealing, willful misconduct or recklessness.

(2) The provisions of paragraph (1) shall not apply to the responsibility or liability of a director pursuant to any criminal statute, or the liability of a director for the payment of taxes pursuant to local, state or federal law.

(The provisions of this subsection (b) were first adopted by the shareholders of the corporation on December 20, 1991.)

(c) Notation of Dissent. A director of the corporation who is present at a meeting of the board of directors, or of a committee of the board, at which action on any corporate matter is taken on which the director is generally competent to act, shall be presumed to have assented to the action taken unless his or her dissent is entered in the minutes of the meeting or unless the director files his or her written dissent to the action with the secretary of the meeting before the adjournment thereof or transmits the dissent in writing to the secretary of the corporation immediately after the adjournment of the meeting. The right to dissent shall not apply to a director who voted in favor of the action. Nothing in this section shall bar a director from asserting that minutes of the meeting incorrectly omitted his or her dissent if, promptly upon receipt of a copy of such minutes, the director notifies the secretary, in writing, of the asserted omission or inaccuracy.

SECTION 4.02. QUALIFICATIONS AND SELECTION OF DIRECTORS.

(a) Qualifications. Each director of the corporation shall be a natural person of full age, provided that no person of age 72 years or more shall be eligible for election as a director. Directors need not be residents of the Commonwealth of Pennsylvania or shareholders of the corporation.

(b) Notice of Certain Nominations Required. Nominations for election of directors may be made by any shareholder entitled to vote for the election of directors if written notice (the "Notice") of the shareholder's intent to nominate a director at the meeting is given by the shareholder and received by the secretary of the corporation in the manner and within the time specified in this section. The initial Notice shall be delivered to the secretary of the corporation not less than 45 days prior to the anniversary of the mailing date of the corporation's proxy statement for its previous meeting of the shareholders called for the election of directors. In lieu of delivery to the secretary, the Notice may be mailed to the secretary by certified mail, return receipt requested, but shall be deemed to have been given only upon actual receipt by the secretary. The requirements of this subsection shall not apply to a nomination for directors made to the shareholders by the board of directors.

(c) Contents of Notice. The Notice shall be in writing and shall contain or be accompanied by:

(1) the name and residence address of the nominating shareholder;

(2) a representation that the shareholder is a holder of record of voting stock of the corporation and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the Notice;

(3) such information regarding each nominee as would have been required to be included in a proxy statement filed pursuant to Regulation 14A of the rules and regulations established by the Securities and Exchange Commission under the Securities Exchange Act of 1934 (or pursuant to any successor act or regulation) had proxies been solicited with respect to such nominee by the management or board of directors of the corporation;

(4) a description of all arrangements or understandings among the shareholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the shareholder; and

(5) the consent of each nominee to serve as a director of the corporation if so elected.

(d) Determination of Compliance. If a judge or judges of election shall not have been appointed pursuant to these bylaws, the presiding officer of the meeting may, if the facts warrant, determine and declare to the meeting that any nomination made at the meeting was not made in accordance with the procedures of this section and, in such event, the nomination shall be disregarded. Any decision by the presiding officer of the meeting made in good faith shall be conclusive and binding upon all shareholders of the corporation for any purpose.

(e) Election of Directors. In elections for directors, voting need not be by ballot, unless required by vote of the shareholders before the voting for the election of directors begins. The candidates receiving the highest number of votes from each class or group of classes, if any, entitled to elect directors separately up to the number of directors to be elected by the class or group of classes shall be elected. If at any meeting of shareholders, directors of more than one class are to be elected, each class of directors shall be elected in a separate election.

SECTION 4.03. NUMBER AND TERM OF OFFICE.

(a) Number. The board of directors shall consist of such number of directors, as may be determined from time to time by resolution of the board of directors.

(b) Term of Office. Each director shall hold office until the expiration of the term for which he or she was selected and until a successor has been selected and qualified or until his or her earlier death, resignation or removal. A decrease in the number of directors shall not have the effect of shortening the term of any incumbent director.

(c) Resignation. Any director may resign at any time upon written notice to the corporation. The resignation shall be effective upon receipt thereof by the corporation or at such subsequent time as shall be specified in the notice of resignation.

SECTION 4.04. VACANCIES.

(a) General Rule. Vacancies in the board of directors, including vacancies resulting from an increase in the number of directors, may be filled by a majority vote of the remaining members of the board though less than a quorum, or by a sole remaining director, and each person so selected shall be a director to serve until the next selection of the class for which such director has been chosen, and until a successor has been selected and qualified or until his or her earlier death, resignation or removal.

(b) Action by Resigned Directors. When one or more directors resign from the board effective at a future date, the directors then in office, including those who have so resigned, shall have power by the applicable vote to fill the vacancies, the vote thereon to take effect when the resignations become effective.

SECTION 4.05. REMOVAL OF DIRECTORS.

(a) Removal by the Shareholders. The entire board of directors, or any class of the board, or any individual director may be removed from office by vote of the shareholders entitled to vote thereon only for cause. In case the board or a class of the board or any one or more directors are so removed, new directors may be elected at the same meeting. The repeal of a provision of the articles or bylaws prohibiting, or the addition of a provision to the articles or bylaws permitting, the removal by the shareholders of the board, a class of the board or a director without assigning any cause shall not apply to any incumbent director during the balance of the term for which the director was selected.

(b) Removal by the Board. The board of directors may declare vacant the office of a director who has been judicially declared of unsound mind or who has been convicted of an offense punishable by imprisonment for a term of more than one year or if, within 60 days after notice of his or her selection, the director does not accept the office either in writing or by attending a meeting of the board of directors.

SECTION 4.06. PLACE OF MEETINGS. Meetings of the board of directors may be held at such place within or without the Commonwealth of Pennsylvania as the board of directors may from time to time appoint or as may be designated in the notice of the meeting.

SECTION 4.07. ORGANIZATION OF MEETINGS. At every meeting of the board of directors, the chairman of the board, if there be one, or, in the case of a vacancy in the office or absence of the chairman of the board, one of the following officers present in the order stated: the vice chairman of the board, if there be one, the president, the vice presidents in their order of rank and seniority, or a person chosen by a majority of the directors present, shall act as chairman of the meeting. The secretary or, in the absence of the secretary, an assistant secretary, or, in the absence of the secretary and the assistant secretaries, any person appointed by the chairman of the meeting, shall act as secretary of the meeting.

SECTION 4.08. REGULAR MEETINGS. Regular meetings of the board of directors shall be held at such time and place as shall be designated from time to time by resolution of the board of directors.

SECTION 4.09. SPECIAL MEETINGS. Special meetings of the board of directors shall be held whenever called by the chief executive officer or by two or more of the directors.

SECTION 4.10. QUORUM OF AND ACTION BY DIRECTORS.

(a) General Rule. A majority of the directors in office of the corporation shall be necessary to constitute a quorum for the transaction of business and the acts of a majority of the directors present and voting at a meeting at which a quorum is present shall be the acts of the board of directors.

(b) Action by Written Consent. Any action required or permitted to be taken at a meeting of the directors may be taken without a meeting if, prior or subsequent to the action, a consent or consents thereto by all of the directors in office is filed with the secretary of the corporation.

(c) Notation of Dissent. A director who is present at a meeting of the board of directors, or of a committee of the board, at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless his or her dissent is entered in the minutes of the meeting or unless the director files a written dissent to the action with the secretary of the meeting before the adjournment thereof or transmits the dissent in writing to the secretary of the corporation immediately after the adjournment of the meeting. The right to dissent shall not apply to a director who voted in favor of the action. Nothing in this section shall bar a director from asserting that minutes of the meeting incorrectly omitted his or her dissent if, promptly upon receipt of a copy of such minutes, the director notifies the secretary, in writing, of the asserted omission or inaccuracy.

SECTION 4.11. EXECUTIVE AND OTHER COMMITTEES.

(a) Establishment and Powers. The board of directors may, by resolution adopted by a majority of the directors in office, establish one or more committees to consist of one or more directors of the corporation. Any committee, to the extent provided in the resolution of the board of directors, shall have and may exercise all of the powers and authority of the board of directors except that a committee shall not have any power or authority as to the following:

(1) The submission to shareholders of any action requiring approval of shareholders under the Business Corporation Law.

(2) The creation or filling of vacancies in the board of directors.

(3) The adoption, amendment or repeal of these bylaws.

(4) The amendment or repeal of any resolution of the board that by its terms is amendable or repealable only by the board.

(5) Action on matters committed by a resolution of the board of directors to another committee of the board.

(b) Alternate Committee Members. The board may designate one or more directors as alternate members of any committee who may replace any absent or disqualified member at any meeting of the committee or for the purposes of any written action by the committee. In the absence or disqualification of a member and alternate member or members of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not constituting a quorum, may unanimously appoint another director to act at the meeting in the place of the absent or disqualified member.

(c) Term. Each committee of the board shall serve at the pleasure of the board.

(d) Committee Procedures. The term "board of directors" or "board," when used in any provision of these bylaws relating to the organization or procedures of or the manner of taking action by the board of directors, shall be construed to include and refer to any executive or other committee of the board.

SECTION 4.12. COMPENSATION. The board of directors shall have the authority to fix the compensation of directors for their services as directors and a director may be a salaried officer of the corporation.

ARTICLE V

OFFICERS

SECTION 5.01. OFFICERS GENERALLY.

(a) Number, Qualifications and Designation. The officers of the corporation shall be a president, one or more vice presidents, a secretary, a treasurer, and such other officers as may be elected in accordance with the provisions of Section 5.03. Officers may but need not be directors or shareholders of the corporation. The president and secretary shall be natural persons of full age. The treasurer may be a corporation, but if a natural person shall be of full age. The board of directors may elect from among the members of the board a chairman of the board and a vice chairman of the board who may be officers of the corporation. Any number of offices may be held by the same person.

(b) Bonding. The corporation may secure the fidelity of any or all of its officers by bond or otherwise.

(c) Standard of Care. In lieu of the standards of conduct otherwise provided by law, officers of the corporation shall be subject to the same standards of conduct, including standards of care and loyalty and rights of justifiable reliance, as shall at the time be applicable to directors of

the corporation. An officer of the corporation shall not be personally liable, as such, to the corporation or its shareholders for monetary damages (including, without limitation, any judgment, amount paid in settlement, penalty, punitive damages or expense of any nature (including, without limitation, attorneys' fees and disbursements)) for any action taken, or any failure to take any action, unless the officer has breached or failed to perform the duties of his or her office under the articles of incorporation, these bylaws, or the applicable provisions of law and the breach or failure to perform constitutes self-dealing, willful misconduct or recklessness. The provisions of this subsection shall not apply to the responsibility or liability of an officer pursuant to any criminal statute or for the payment of taxes pursuant to local, state or federal law.

SECTION 5.02. ELECTION, TERM OF OFFICE AND RESIGNATIONS.

(a) Election and Term of Office. The officers of the corporation (except those elected by delegated authority pursuant to Section 5.03 or filled pursuant to Section 5.05) shall be elected annually by the board of directors, and each such officer shall hold office for a term of one year and until a successor has been selected and qualified or until his or her earlier death, resignation or removal.

(b) Resignations. Any officer may resign at any time upon written notice to the corporation. The resignation shall be effective upon receipt thereof by the corporation or at such subsequent time as may be specified in the notice of resignation.

SECTION 5.03. SUBORDINATE OFFICERS, COMMITTEES AND AGENTS. The board of directors may from time to time elect such other officers and appoint such committees, employees or other agents as the business of the corporation may require, including one or more assistant secretaries, and one or more assistant treasurers, each of whom shall hold office for such period, have such authority, and perform such duties as are provided in these bylaws, or as the board of directors may from time to time determine. The board of directors may delegate to any officer or committee the power to elect subordinate officers and to retain or appoint employees or other agents, or committees thereof, and to prescribe the authority and duties of such subordinate officers, committees, employees or other agents.

SECTION 5.04. REMOVAL OF OFFICERS AND AGENTS. Any officer or agent of the corporation may be removed by the board of directors with or without cause. The removal shall be without prejudice to the contract rights, if any, of any person so removed. Election or appointment of an officer or agent shall not of itself create contract rights.

SECTION 5.05. VACANCIES. A vacancy in any office because of death, resignation, removal, disqualification, or any other cause, may be filled by the board of directors or the board of directors may delegate to any officer or committee the power to fill a vacancy in such office or to create a new such office, subject to ratification by the board of directors, and if the office is one for which these bylaws prescribe a term, shall be filled for the unexpired portion of the term.

SECTION 5.06. AUTHORITY.

(a) General Rule. All officers of the corporation, as between themselves and the corporation, shall have such authority and perform such duties in the management of the corporation as may be provided by or pursuant to resolutions or orders of the board of directors or,

in the absence of controlling provisions in the resolutions or orders of the board of directors, as may be determined by or pursuant to these bylaws.

(b) Chief Executive Officer. The chairman of the board or the president, as designated from time to time by the board of directors, shall be the chief executive officer of the corporation.

SECTION 5.07. THE CHAIRMAN AND VICE CHAIRMAN OF THE BOARD. The chairman of the board or in the absence of the chairman, the vice chairman of the board, shall preside at all meetings of the shareholders and of the board of directors, and shall perform such other duties as may from time to time be requested by the board of directors.

SECTION 5.08. THE CHIEF EXECUTIVE OFFICER. The chief executive officer shall be the chief executive officer of the corporation and shall have general supervision over the business of the corporation. The chief executive officer shall have the general powers and shall perform the duties which by law and general usage appertain to the office, subject, however, to the control of the board of directors. The chief executive officer shall sign, execute and acknowledge, in the name of the corporation, deeds, mortgages, bonds, contracts and other instruments authorized by the board of directors, except in cases where the signing and execution thereof shall be expressly delegated by the board of directors, or by these bylaws, to some other officer or agent of the corporation.

SECTION 5.09. THE PRESIDENT. The president shall perform such duties as from time to time may be assigned by the board of directors or the chief executive officer (unless the president shall be the chief executive officer, in which case the president's duties shall be those specified in Section 5.08).

SECTION 5.10. THE VICE PRESIDENTS. The vice presidents shall perform the duties of the president in the absence of the president and such other duties as may from time to time be assigned to them by the board of directors or the president.

SECTION 5.11. THE SECRETARY. The secretary or an assistant secretary shall attend all meetings of the shareholders and of the board of directors and all committees thereof and shall record all the votes of the shareholders and of the directors and the minutes of the meetings of the shareholders and of the board of directors and of committees of the board in a book or books to be kept for that purpose; shall see that notices are given and records and reports properly kept and filed by the corporation as required by law; shall be the custodian of the seal of the corporation and see that it is affixed to all documents to be executed on behalf of the corporation under its seal; and, in general, shall perform all duties incident to the office of secretary, and such other duties as may from time to time be assigned by the board of directors or the president.

SECTION 5.12. THE TREASURER. The treasurer or an assistant treasurer shall have or provide for the custody of the funds or other property of the corporation; shall collect and receive or provide for the collection and receipt of monies earned by or in any manner due to or received by the corporation; shall deposit all funds in his or her custody as treasurer in such banks or other places of deposit as the board of directors may from time to time designate; shall, whenever so required by the board of directors, render an account showing all transactions as treasurer, and the financial condition of the corporation; and, in general, shall discharge such other duties as may from time to time be assigned by the board of directors or the president.

SECTION 5.13. SALARIES. The salaries of the officers elected by the board of directors shall be fixed from time to time by the board of directors or by such officer as may be designated by resolution of the board. The salaries or other compensation of any other officers, employees and other agents shall be fixed from time to time by the officer or committee to which the power to elect such officers or to retain or appoint such employees or other agents has been delegated pursuant to Section 5.03. No officer shall be prevented from receiving such salary or other compensation by reason of the fact that the officer is also a director of the corporation.

ARTICLE VI

CERTIFICATES OF STOCK, TRANSFER, ETC.

SECTION 6.01. SHARE CERTIFICATES.

(a) Form of Certificates. Certificates for shares of the corporation shall be in such form as approved by the board of directors, and shall state that the corporation is incorporated under the laws of the Commonwealth of Pennsylvania, the name of the person to whom issued, and the number and class of shares and the designation of the series (if any) that the certificate represents. If the corporation is authorized to issue shares of more than one class or series, certificates for shares of the corporation shall set forth upon the face or back of the certificate (or shall state on the face or back of the certificate that the corporation will furnish to any shareholder upon request and without charge), a full or summary statement of the designations, voting rights, preferences, limitations and special rights of the shares of each class or series authorized to be issued so far as they have been fixed and determined and the authority of the board of directors to fix and determine the designations, voting rights, preferences, limitations and special rights of the classes and series of shares of the corporation.

(b) Share Register. The share register or transfer books and blank share certificates shall be kept by the secretary or by any transfer agent or registrar designated by the board of directors for that purpose.

SECTION 6.02. ISSUANCE. The share certificates of the corporation shall be numbered and registered in the share register or transfer books of the corporation as they are issued. They shall be executed in such manner as the board of directors shall determine. Where a certificate is signed by a transfer agent or a registrar, the signature of any corporate officer upon the certificate may be a facsimile, engraved or printed. In case any officer who has signed, or whose facsimile signature has been placed upon, any share certificate shall have ceased to be such officer because of death, resignation or otherwise, before the certificate is issued, it may be issued with the same effect as if the officer had not ceased to be such at the date of its issue. The provisions of this Section 6.02 shall be subject to any inconsistent or contrary agreement in effect at the time between the corporation and any transfer agent or registrar.

SECTION 6.03. TRANSFER. Transfers of shares shall be made on the share register or transfer books of the corporation upon surrender of the certificate therefor, endorsed by the person named in the certificate or by an attorney lawfully constituted in writing. No transfer shall be made inconsistent with the provisions of the Uniform Commercial Code, 13 Pa.C.S. (S)(S)8101 et seq., and its amendments and supplements.

SECTION 6.04. RECORD HOLDER OF SHARES. The corporation shall be entitled to treat the person in whose name any share or shares of the corporation stand on the books of the corporation as the absolute owner thereof, and shall not be bound to recognize any equitable or other claim to, or interest in, such share or shares on the part of any other person.

SECTION 6.05. LOST, DESTROYED OR MUTILATED CERTIFICATES. The holder of any shares of the corporation shall immediately notify the corporation of any loss, destruction or mutilation of the certificate therefor, and the board of directors may, in its discretion, cause a new certificate or certificates to be issued to such holder, in case of mutilation of the certificate, upon the surrender of the mutilated certificate or, in case of loss or destruction of the certificate, upon satisfactory proof of such loss or destruction and, if the board of directors shall so determine, the deposit of a bond in such form and in such sum, and with such surety or sureties, as it may direct.

SECTION 6.06. UNCERTIFICATED SHARES. Notwithstanding anything herein to the contrary, any or all classes and series of shares, or any part thereof, may be represented by uncertificated shares, except that shares represented by a certificate that is issued and outstanding shall continue to be represented thereby until the certificate is surrendered to the corporation. Within a reasonable time after the issuance or transfer of uncertificated shares, the corporation shall send to the registered owner thereof, a written notice containing the information required to be set forth or stated on certificates. The rights and obligations of the holders of shares represented by certificates and the rights and obligations of the holders of uncertificated shares of the same class or series shall be identical. Notwithstanding anything herein to the contrary, the provisions of Sections 6.01 through 6.03 and 6.05 hereof shall be inapplicable to uncertificated shares and in lieu thereof the board of directors shall adopt alternative procedures for registration of transfers.

ARTICLE VII

INDEMNIFICATION OF DIRECTORS, OFFICERS AND OTHER AUTHORIZED REPRESENTATIVES

(The provisions of this Article VII were first adopted by the shareholders of the corporation on December 20, 1991.)

SECTION 7.01. SCOPE OF INDEMNIFICATION.

(a) General Rule. The corporation shall indemnify an indemnified representative against any liability incurred in connection with any proceeding in which the indemnified representative may be involved as a party or otherwise by reason of the fact that such person is or was serving in an indemnified capacity, including, without limitation, liabilities resulting from any actual or alleged breach or neglect of duty, error, misstatement or misleading statement, negligence, gross negligence or act giving rise to strict or products liability, except:

(1) where such indemnification is expressly prohibited by applicable law;

(2) where the conduct of the indemnified representative has been finally determined pursuant to Section 7.06 or otherwise:

(i) to constitute willful misconduct or recklessness within the meaning of 15 Pa.C.S. (S)1746(b) or any superseding provision of law sufficient in the circumstances to bar indemnification against liabilities arising from the conduct; or

(ii) to be based upon or attributable to the receipt by the indemnified representative from the corporation of a personal benefit to which the indemnified representative is not legally entitled; or

(3) to the extent such indemnification has been finally determined in a final adjudication pursuant to Section 7.06 to be otherwise unlawful.

(b) Partial Payment. If an indemnified representative is entitled to indemnification in respect of a portion, but not all, of any liabilities to which such person may be subject, the corporation shall indemnify such indemnified representative to the maximum extent for such portion of the liabilities.

(c) Presumption. The termination of a proceeding by judgment, order, settlement or conviction or upon a plea of nolo contendere or its equivalent shall not of itself create a presumption that the indemnified representative is not entitled to indemnification.

(d) Definitions. For purposes of this Article:

(1) "indemnified capacity" means any and all past, present and future service by an indemnified representative in one or more capacities as a director, officer, employee or agent of the corporation, or, at the request of the corporation, as a director, officer, employee, agent, fiduciary or trustee of another corporation, partnership, joint venture, trust, employee benefit plan or other entity or enterprise;

(2) "indemnified representative" means any and all directors and officers of the corporation and any other person designated as an indemnified representative by the board of directors of the corporation (which may, but need not, include any person serving at the request of the corporation, as a director, officer, employee, agent, fiduciary or trustee of another corporation, partnership, joint venture, trust, employee benefit plan or other entity or enterprise);

(3) "liability" means any damage, judgment, amount paid in settlement, fine, penalty, punitive damages, excise tax assessed with respect to an employee benefit plan, or cost or expense of any nature (including, without limitation, attorneys' fees and disbursements); and

(4) "proceeding" means any threatened, pending or completed action, suit, appeal or other proceeding of any nature, whether civil, criminal, administrative or investigative, whether formal or informal, and whether brought by or in the right of the corporation, a class of its security holders or otherwise.

SECTION 7.02. PROCEEDINGS INITIATED BY INDEMNIFIED REPRESENTATIVES. Notwithstanding any other provision of this Article, the corporation shall not indemnify under this Article an indemnified representative for any liability incurred in a proceeding initiated (which shall not be deemed to include counter claims or affirmative defenses) or participated in as an intervenor or amicus curiae by the person seeking indemnification unless such initiation of or participation in the proceeding is authorized, either before or after its commencement, by the affirmative vote of a majority of the

directors in office. This section does not apply to reimbursement of expenses incurred in successfully prosecuting or defending an arbitration under Section 7.06 or otherwise successfully prosecuting or defending the rights of an indemnified representative granted by or pursuant to this Article.

SECTION 7.03. ADVANCING EXPENSES. The corporation shall pay the expenses (including attorneys' fees and disbursements) incurred in good faith by an indemnified representative in advance of the final disposition of a proceeding described in Section 7.01 or the initiation of or participation in which is authorized pursuant to Section 7.02 upon receipt of an undertaking by or on behalf of the indemnified representative to repay the amount if it is ultimately determined pursuant to Section 7.06 that such person is not entitled to be indemnified by the corporation pursuant to this Article. The financial ability of an indemnified representative to repay an advance shall not be a prerequisite to the making of such advance.

SECTION 7.04. SECURING OF INDEMNIFICATION OBLIGATIONS. To further effect, satisfy or secure the indemnification obligations provided herein or otherwise, the corporation may maintain insurance, obtain a letter of credit, act as self-insurer, create a reserve, trust, escrow, cash collateral or other fund or account, enter into indemnification agreements, pledge or grant a security interest in any assets or properties of the corporation, or use any other mechanism or arrangement whatsoever in such amounts, at such costs, and upon such other terms and conditions as the board of directors shall deem appropriate. Absent fraud, the determination of the board of directors with respect to such amounts, costs, terms and conditions shall be conclusive against all security holders, officers and directors and shall not be subject to voidability.

SECTION 7.05. PAYMENT OF INDEMNIFICATION. An indemnified representative shall be entitled to indemnification within 30 days after a written request for indemnification has been delivered to the secretary of the corporation.

SECTION 7.06. ARBITRATION.

(a) General Rule. Any dispute related to the right to indemnification, contribution or advancement of expenses as provided under this Article, except with respect to indemnification for liabilities arising under the Securities Act of 1933 that the corporation has undertaken to submit to a court for adjudication, shall be decided only by arbitration in the county in which the principal executive offices of the corporation are located at the time, in accordance with the commercial arbitration rules then in effect of the American Arbitration Association, before a panel of three arbitrators, one of whom shall be selected by the corporation, the second of whom shall be selected by the indemnified representative and the third of whom shall be selected by the other two arbitrators. In the absence of the American Arbitration Association, or if for any reason arbitration under the arbitration rules of the American Arbitration Association cannot be initiated, and if one of the parties fails or refuses to select an arbitrator or the arbitrators selected by the corporation and the indemnified representative cannot agree on the selection of the third arbitrator within 30 days after such time as the corporation and the indemnified representative have each been notified of the selection of the other's arbitrator, the necessary arbitrator or arbitrators shall be selected by the presiding judge of the court of general jurisdiction in such county.

(b) Qualifications of Arbitrators. Each arbitrator selected as provided herein is required to be or have been a director or executive officer of a corporation whose shares of common stock were listed during at least one year of such service on the New York Stock Exchange or the

American Stock Exchange or quoted on the National Association of Securities Dealers Automated Quotations System.

(c) Burden of Proof. The party or parties challenging the right of an indemnified representative to the benefits of this Article shall have the burden of proof.

(d) Expenses. The corporation shall reimburse an indemnified representative for the expenses (including attorneys' fees and disbursements) incurred in successfully prosecuting or defending such arbitration.

(e) Effect. Any award entered by the arbitrators shall be final, binding and nonappealable and judgment may be entered thereon by any party in accordance with applicable law in any court of competent jurisdiction, except that the corporation shall be entitled to interpose as a defense in any such judicial enforcement proceeding any prior final judicial determination adverse to the indemnified representative under Section 7.01(a)(2) in a proceeding not directly involving indemnification under this Article. This arbitration provision shall be specifically enforceable.

SECTION 7.07. CONTRIBUTION. If the indemnification provided for in this Article or otherwise is unavailable for any reason in respect of any liability or portion thereof, the corporation shall contribute to the liabilities to which the indemnified representative may be subject in such proportion as is appropriate to reflect the intent of this Article or otherwise.

SECTION 7.08. MANDATORY INDEMNIFICATION OF DIRECTORS, OFFICERS, ETC. To the extent that an authorized representative of the corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Sections 1741 or 1742 of the Business Corporation Law or in defense of any claim, issue or matter therein, such person shall be indemnified against expenses (including attorneys' fees and disbursements) actually and reasonably incurred by such person in connection therewith.

SECTION 7.09. CONTRACT RIGHTS; AMENDMENT OR REPEAL. All rights under this Article shall be deemed a contract between the corporation and the indemnified representative pursuant to which the corporation and each indemnified representative intend to be legally bound. Any repeal, amendment or modification hereof shall be prospective only and shall not affect any rights or obligations then existing.

SECTION 7.10. SCOPE OF ARTICLE. The rights granted by this Article shall not be deemed exclusive of any other rights to which those seeking indemnification, contribution or advancement of expenses may be entitled under any statute, agreement, vote of shareholders or disinterested directors or otherwise, both as to action in an indemnified capacity and as to action in any other capacity. The indemnification, contribution and advancement of expenses provided by or granted pursuant to this Article shall continue as to a person who has ceased to be an indemnified representative in respect of matters arising prior to such time, and shall inure to the benefit of the heirs, executors, administrators and personal representatives of such a person.

SECTION 7.11. RELIANCE ON PROVISIONS. Each person who shall act as an indemnified representative of the corporation shall be deemed to be doing so in reliance upon the rights of indemnification, contribution and advancement of expenses provided by this Article.

SECTION 7.12. INTERPRETATION. The provisions of this Article are intended to constitute bylaws authorized by 15 Pa.C.S. (S)1746.

ARTICLE VIII

MISCELLANEOUS

SECTION 8.01. CORPORATE SEAL. The corporation shall have a corporate seal in the form of a circle containing the name of the corporation, the year of incorporation and such other details as may be approved by the board of directors. The affixation of the corporate seal shall not be necessary to the valid execution, assignment or endorsement by the corporation of any instrument or other document.

SECTION 8.02. CHECKS. All checks, notes, bills of exchange or other similar orders in writing shall be signed by such one or more officers or employees of the corporation as the board of directors may from time to time designate.

SECTION 8.03. CONTRACTS. Except as otherwise provided in the Business Corporation Law in the case of transactions that require action by the shareholders, the board of directors may authorize any officer or agent to enter into any contract or to execute or deliver any instrument on behalf of the corporation, and such authority may be general or confined to specific instances.

SECTION 8.04. INTERESTED DIRECTORS OR OFFICERS; QUORUM.

(a) General Rule. A contract or transaction between the corporation and one or more of its directors or officers or between the corporation and another corporation, partnership, joint venture, trust or other enterprise in which one or more of its directors or officers are directors or officers or have a financial or other interest, shall not be void or voidable solely for that reason, or solely because the director or officer is present at or participates in the meeting of the board of directors that authorizes the contract or transaction, or solely because his, her or their votes are counted for that purpose, if:

(1) the material facts as to the relationship or interest and as to the contract or transaction are disclosed or are known to the board of directors and the board authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors even though the disinterested directors are less than a quorum;

(2) the material facts as to his or her relationship or interest and as to the contract or transaction are disclosed or are known to the shareholders entitled to vote thereon and the contract or transaction is specifically approved in good faith by vote of those shareholders; or

(3) the contract or transaction is fair as to the corporation as of the time it is authorized, approved or ratified by the board of directors or the shareholders.

(b) Quorum. Common or interested directors may be counted in determining the presence of a quorum at a meeting of the board which authorizes a contract or transaction specified in subsection (a).

SECTION 8.05. DEPOSITS. All funds of the corporation shall be deposited from time to time to the credit of the corporation in such banks, trust companies or other depositories as the board of directors may approve or designate, and all such funds shall be withdrawn only upon checks signed by such one or more officers or employees of the corporation as the board of directors shall from time to time designate.

SECTION 8.06. CORPORATE RECORDS.

(a) Required Records. The corporation shall keep complete and accurate books and records of account, minutes of the proceedings of the incorporators, shareholders and directors and a share register giving the names and addresses of all shareholders and the number and class of shares held by each. The share register shall be kept at either the registered office of the corporation in the Commonwealth of Pennsylvania or at its principal place of business wherever situated or at the office of its registrar or transfer agent. Any books, minutes or other records may be in written form or any other form capable of being converted into written form within a reasonable time.

(b) Right of Inspection. Every shareholder shall, upon written verified demand stating the purpose thereof, have a right to examine, in person or by agent or attorney, during the usual hours for business for any proper purpose, the share register, books and records of account, and records of the proceedings of the incorporators, shareholders and directors and to make copies or extracts therefrom. A proper purpose shall mean a purpose reasonably related to the interest of the person as a shareholder. In every instance where an attorney or other agent is the person who seeks the right of inspection, the demand shall be accompanied by a verified power of attorney or other writing that authorizes the attorney or other agent to so act on behalf of the shareholder. The demand shall be directed to the corporation at its registered office in the Commonwealth of Pennsylvania or at its principal place of business wherever situated.

SECTION 8.07. AMENDMENT OF BYLAWS. Except as otherwise provided in the express terms of any series of the shares of the corporation:

(a) The shareholders shall have the power to amend or repeal these bylaws, or to adopt new bylaws, only with the approval of the board of directors. A direction by the board that a shareholder proposal with respect to the bylaws shall be submitted to the shareholders for action thereon, or the sufferance by the board that such a proposal shall be so submitted, shall not constitute approval by the board of directors of the amendment, repeal or new bylaws.

(b) These bylaws may be amended or repealed, or new bylaws may be adopted, by vote of a majority of the board of directors of the corporation in office at any regular or special meeting of directors, including in circumstances otherwise reserved by statute exclusively to the shareholders, the board of directors of the corporation having under the articles of incorporation the full authority conferred by law upon the shareholders of the corporation to adopt, amend or repeal these bylaws. Any bylaw adopted by the board of directors under this paragraph shall be consistent with the articles of incorporation.

As amended through September 30, 2003.

AMENDMENT NO. 1 TO PARTNERSHIP AGREEMENT
OF HUNLOCK CREEK ENERGY VENTURES

This Amendment No. 1 to Partnership Agreement (this "Amendment"), dated as of June 26, 2003, is entered into by and among UGI HUNLOCK DEVELOPMENT COMPANY, a Pennsylvania corporation ("UGI GP") and ALLEGHENY ENERGY SUPPLY HUNLOCK CREEK, LLC, a Delaware limited liability company ("Allegheny GP"). Capitalized terms used herein but not defined shall have the meanings assigned to such terms in the Partnership Agreement (as hereinafter defined).

RECITALS

WHEREAS, UGI GP and Allegheny GP entered into a Partnership Agreement of Hunlock Creek Energy Ventures dated as of December 8, 2000 (the "Partnership Agreement");

WHEREAS, a dispute has arisen between the parties concerning the obligations of Allegheny Energy Supply in Sections 9.6(b) and 9.6(c) of the Partnership Agreement and the enforceability of the put and call options contained in such Sections against Allegheny Energy Supply (the "Disputed Matter"), and the parties have agreed to execute this Amendment in order to resolve such dispute;

WHEREAS, the parties hereto desire to amend the Partnership Agreement as set forth in this Amendment; and

WHEREAS, Allegheny Energy Supply desires that the parties to the Partnership Agreement execute this Amendment.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency is hereby acknowledged, the parties hereto, intending to be legally bound, agree as follows:

1. Section 9.6(b) of the Partnership Agreement is hereby amended and restated in its entirety as follows:

(b) UGI GP PUT RIGHTS. For a period of ninety (90) days commencing January 1, 2006, UGI GP (or an Affiliate thereof) shall have the right, but not the obligation, to require Allegheny GP (or an Affiliate thereof) to purchase the Plant (including all inventory of the Partnership associated with the Plant) or the CT, or both of them, from the Partnership (collectively, the "UGI Put Right"). The purchase price for the Plant and such inventory shall be the sum of Fifteen Million Dollars (\$15,000,000) plus the value of all inventory of the Partnership associated with the Plant at the time of such purchase, which amount shall be paid by Allegheny GP (or an Affiliate thereof) to the Partnership by wire transfer of immediately available funds at a closing of such purchase to be held as soon as

practicable following written notice from UGI GP (or an Affiliate thereof) to Allegheny GP (or an Affiliate thereof) of its determination to require such purchase. The purchase price for the CT shall be the amount of the book value of the CT on the books of the Partnership as of the date of closing of such purchase, which amount shall be paid by Allegheny GP (or an Affiliate thereof) to the Partnership by wire transfer of immediately available funds at a closing of such purchase to be held as soon as practicable following written notice from UGI GP (or an Affiliate thereof) to Allegheny GP (or an Affiliate thereof) of its determination to require such purchase. In connection with any such closing, UGI GP (or an Affiliate thereof) and Allegheny GP (or an Affiliate thereof) shall jointly prepare, execute and deliver such instruments of transfer that are reasonably required to effectuate the purchase and sale of the Plant or the CT, or both of them. All funds received by the Partnership in connection with the sale of the Plant or the CT, or both of them, shall be paid, as soon as practicable following the closing of any such sale, to the Partners in a special distribution in proportion to the Percentage Interests of each as of the date of distribution. In the event that UGI GP (or an Affiliate thereof) exercises the UGI Put Right with respect to the Plant and the CT and, upon such exercise, the Partnership's assets consist solely of intangible items, the Partners thereafter shall cause the orderly dissolution of the Partnership. Notwithstanding anything to the contrary contained in this Section 9.6(b), an Affiliate of Allegheny GP shall only be permitted to exercise the rights of and perform the obligations of Allegheny GP described herein if the following conditions are satisfied: (i) UGI GP (or an Affiliate thereof) consents, in its sole discretion, to the substitution of such Affiliate for Allegheny GP and (ii) the performance by such Affiliate of its obligations hereunder does not violate any federal, state or local law, statute, ordinance, rule, regulation, judgment, order, injunction, decree, license, permit, contract, agreement, or other document, commitment or arrangement, whether oral or written, and UGI GP (or an Affiliate thereof) shall have received, prior to the date of the closing of such sale, an opinion of outside legal counsel for Allegheny GP (which counsel shall be reasonably satisfactory to UGI GP) to that effect.

2. Section 9.6(c) of the Partnership Agreement is hereby amended and restated in its entirety as follows:

(c) ALLEGHENY GP CALL RIGHTS. For a period of ninety (90) days commencing January 1, 2006, Allegheny GP (or an Affiliate thereof) shall have the right, but not the obligation, to purchase the Plant (including all inventory of the Partnership associated with the Plant) or the CT, or both of them, from the Partnership (collectively, the "Allegheny Call Right"). The purchase price for the Plant and such inventory shall be the sum of Fifteen Million Dollars (\$15,000,000) plus the value of all inventory of the Partnership associated with the Plant at the time of such purchase, which amount shall be paid by Allegheny GP (or an Affiliate thereof) to the Partnership by wire transfer of immediately available funds at a closing of such purchase to be held as soon as practicable following written notice from Allegheny GP (or an Affiliate thereof) to UGI GP of its determination to undertake such purchase. The purchase price for the CT shall be the amount of the book value of the CT on the books of the Partnership as of the date of closing of such purchase, which amount shall be paid by Allegheny GP (or an Affiliate thereof) to the Partnership by wire transfer of immediately available funds at a closing of such purchase to be held as soon as practicable following written notice from Allegheny GP (or an Affiliate thereof) to UGI GP of its determination to

undertake such purchase. The purchase price for the CT shall be the amount of the book value of the CT on the books of the Partnership as of the date of closing of such purchase, which amount shall be paid by Allegheny GP (or an Affiliate thereof) to the Partnership by wire transfer of immediately available funds at a closing of such purchase to be held as soon as practicable following written notice from Allegheny GP (or an Affiliate thereof) to UGI GP of its determination to undertake such purchase. In connection with any such closing, UGI GP and Allegheny GP (or an Affiliate thereof) shall jointly prepare, execute and deliver such instruments of transfer that are reasonably required to effectuate the purchase and sale of the Plant or the CT, or both of them. All funds received by the Partnership in connection with the sale of the Plant or the CT, or both of them, shall be paid, as soon as practicable following the closing of any such sale, to the Partners in a special distribution in proportion to the Percentage Interests of each as of the date of distribution. In the event that Allegheny GP (or an Affiliate thereof) exercises the Allegheny Call Right with respect to the Plant and the CT and, upon such exercise, the Partnership's assets consist solely of intangible items, the Partners thereafter shall cause the orderly dissolution of the Partnership. Notwithstanding anything to the contrary contained in this Section 9.6(c), an Affiliate of Allegheny GP shall only be permitted to exercise the rights of and perform the obligations of Allegheny GP described herein if the following conditions are satisfied: (i) UGI GP (or an Affiliate thereof) consents, in its sole discretion, to the substitution of such Affiliate for Allegheny GP and (ii) the performance by such Affiliate of its obligations hereunder does not violate any federal, state or local law, statute, ordinance, rule, regulation, judgment, order, injunction, decree, license, permit, contract, agreement, or other document, commitment or arrangement, whether oral or written, and UGI GP (or an Affiliate thereof) shall have received, prior to the date of the closing of such sale, an opinion of outside legal counsel for Allegheny GP (which counsel shall be reasonably satisfactory to UGI GP) to that effect.

3. The parties acknowledge and agree that the execution of this Amendment fully resolves all disputes between them concerning the Disputed Matter solely with respect to the time period on or prior to the date hereof. The parties hereby waive and release each other, and their respective subsidiaries, affiliates, officers, directors, employees and representatives from any liabilities, known or unknown, direct, indirect or contingent, that may arise with respect to the Disputed Matter solely with respect to the time period on or prior to the date hereof. Notwithstanding anything to the contrary contained in this Amendment, nothing in this Amendment shall be construed as limiting, restricting or excusing the payment obligations of Allegheny GP (or its Affiliates) contemplated by Section 9.6(b) of the Partnership Agreement, and neither UGI GP nor any of its Affiliates waives or releases any other rights or liabilities of any party under the Partnership Agreement.

4. Except as specifically amended by this Amendment, the Partnership Agreement shall remain in full force and effect and is hereby ratified and confirmed. This Amendment shall be construed as one with the Partnership Agreement, and the Partnership Agreement shall, where the context requires, be read and construed

throughout so as to incorporate this Amendment.

5. This Amendment shall be governed by and construed and enforced in accordance with the internal laws of the Commonwealth of Pennsylvania without reference to any conflict of law or choice of law principles that might apply the law of another jurisdiction.

6. This Amendment may be executed in any number of counterparts, all of which shall for all purposes constitute one Agreement binding on all of the parties hereto, notwithstanding that all of the other parties did not execute the same counterpart. The signatures of the parties may be on separate signature pages all of which, when attached hereto, shall constitute the execution of one Agreement binding on all the parties hereto, notwithstanding that all of the other parties did not execute the same signature page.

IN WITNESS WHEREOF, the parties hereto have duly executed this Amendment as of the day and year first written above.

ALLEGHENY GP: ALLEGHENY ENERGY SUPPLY HUNLOCK CREEK, LLC

By: Allegheny Energy, Inc., its sole member

By: _____
Name:
Title:

UGI GP: UGI HUNLOCK DEVELOPMENT COMPANY

By: _____
Name:
Title:

CONFORMED COPY

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PURCHASE AND SALE AGREEMENT

Dated as of November 30, 2001

As Amended by AMENDMENT NO. 1

Dated as of August 29, 2003

between

UGI ENERGY SERVICES, INC.

and

ENERGY SERVICES FUNDING CORPORATION

=====

THIS PURCHASE AND SALE AGREEMENT (this "Agreement"), dated as of November 30, 2001, as amended by Amendment No. 1, dated as of August 29, 2003, is entered into between UGI ENERGY SERVICES, INC. (the "Originator"), a Pennsylvania corporation, and ENERGY SERVICES FUNDING CORPORATION, a Delaware corporation (the "Company").

DEFINITIONS

Unless otherwise indicated herein, capitalized terms used in this Agreement are defined in Exhibit I to the Receivables Purchase Agreement of even date herewith (as the same may be amended, supplemented or otherwise modified from time to time, the "Receivables Purchase Agreement") among the Company, as the Seller; UGI Energy Services, Inc. (individually, "UGI"), as the initial Servicer; Market Street Funding Corporation; and PNC Bank, National Association, as the Administrator. All references herein to months are to calendar months unless otherwise expressly indicated.

BACKGROUND:

1. The Company is a special purpose corporation, the issued and outstanding shares of which are owned by the Originator;

2. The Originator generates Receivables in the ordinary course of its business;

3. The Originator, in order to finance its business, wishes to sell or contribute, as the case may be, Receivables to the Company, and the Company is willing to purchase or accept Receivables, as the case may be, from the Originator, on the terms and subject to the conditions set forth herein; and

4. The Originator and the Company intend this transaction to be an absolute and irrevocable true sale and conveyance of Receivables by the Originator to the Company, providing the Company with the full benefits of ownership of the Receivables, and the Originator and the Company do not intend the transactions hereunder to be characterized as a loan from the Company to the Originator.

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein contained, the parties hereto agree as follows:

ARTICLE I AGREEMENT TO PURCHASE AND SELL

SECTION 1.1 Agreement To Purchase and Sell. On the terms and subject to the conditions set forth in this Agreement, the Originator, severally and for itself, agrees to sell to the Company, and the Company agrees to purchase from the Originator, from time to time on or after the Closing Date, but before the Purchase and Sale Termination Date, all of the Originator's right, title and interest in and to:

(a) each Receivable of the Originator that existed and was owing to the Originator at the closing of the Originator's business on December 3, 2001 (the "Cut-off Date") other than Receivables contributed pursuant to Section 3.1 (the "Contributed Receivables");

(b) each Receivable generated by the Originator from and including the Cut-off Date to and including the Purchase and Sale Termination Date (other than any Receivable later contributed pursuant to the second sentence of Section 3.1(a));

(c) all rights to, but not the obligations of the Originator under, all Related Security;

(d) all monies due or to become due to the Originator with respect to any of the foregoing;

(e) all books and records of the Originator related to any of the foregoing, and all rights, remedies, powers, privileges, title and interest of the Originator in each lock-box and related lock-box address and account to which Collections are sent, all amounts on deposit therein, all certificates and instruments, if any, from time to time evidencing such accounts and amounts on deposit therein, and all related agreements between the Originator and each Lock-Box Bank; and

(f) all collections and other proceeds and products of any of the foregoing (as defined in the applicable UCC) that are or were received by the Originator on or after the Cut-off Date, including, without limitation, all funds which either are received by the Originator, the Company or the Servicer from or on behalf of the Obligor in payment of any amounts owed (including, without limitation, invoice price, finance charges, interest and all other charges) in respect of Receivables, or are applied to such amounts owed by the Obligor (including, without limitation, any insurance payments that the Originator or the Servicer applies in the ordinary course of its business to amounts owed in respect of any Receivable, and net proceeds of sale or other disposition of repossessed goods or other collateral or property of the Obligor in respect of Receivables or any other parties directly or indirectly liable for payment of such Receivables).

All purchases and contributions hereunder are absolute and irrevocable and shall be made without recourse except as expressly provided in Sections 3.3, 3.4 and 9.1, but shall be made pursuant to, and in reliance upon, the representations, warranties and covenants of the Originator set forth in this Agreement and each other Transaction Document. No obligation or liability to any Obligor on any Receivable is intended to be, or shall be, assumed by the Company hereunder, and any such assumption is expressly disclaimed. The Company's foregoing commitment to purchase Receivables and the proceeds and rights described in clauses (c) through (f) (collectively, the "Related Rights") is herein called the "Purchase Facility."

In connection with the transfer of ownership or the grant of the security interest in the Receivables and Related Rights, by signing this Agreement in the space provided, the Originator hereby authorizes the filing of all applicable UCC financing statements in all necessary jurisdictions.

SECTION 1.2 Timing of Purchases.

(a) Closing Date Purchases. The Originator's entire right, title and interest in, to and under (i) each Receivable that existed and was owing to the Originator at the Cut-off Date (other than Contributed Receivables), (ii) all Receivables created by the Originator from and including the Cut-off Date, to and including the Closing Date (other than Contributed Receivables), and (iii) all Related Rights with respect thereto automatically shall be deemed to have been sold by the Originator to the Company on the Closing Date.

(b) Subsequent Purchases. After the Closing Date, until the Purchase and Sale Termination Date, each Receivable and the Related Rights generated by the Originator shall be, and shall be deemed to have been, sold by the Originator to the Company immediately (and without further action) upon the creation of such Receivable.

SECTION 1.3 Consideration for Purchases. On the terms and subject to the conditions set forth in this Agreement, the Company agrees to make Purchase Price payments to the Originator in accordance with Article III and to reflect all contributions in accordance with Section 3.1.

SECTION 1.4 Purchase and Sale Termination Date. The "Purchase and Sale Termination Date" shall be the earlier to occur of (a) the date the Purchase Facility is terminated pursuant to Section 8.2 and (b) the Facility Termination Date.

SECTION 1.5 Intention of the Parties. It is the express intent of the parties hereto that the transfers of the Receivables, Contributed Receivables and Related Rights by the Originator to the Company, as contemplated by this Agreement, be treated as true, final, absolute and irrevocable sales or contributions, as applicable (without recourse except as expressly provided in Sections 3.3, 3.4 and 9.1), of all of the Originator's legal and equitable right, title and interest in, to and under the Receivables or the Contributed Receivables, as applicable, and Related Rights. If, however, notwithstanding the intent of the parties, such transactions are deemed to be loans, the Originator hereby grants to the Company a first priority security interest in all of the Originator's right, title and interest in and to: (i) the Receivables, Contributed Receivables and the Related Rights now existing and hereafter created by the Originator, (ii) all monies due or to become due and all amounts received with respect thereto, (iii) all books and records of the Originator related to any of the foregoing, and all rights, remedies, powers, privileges, title and interest of the Originator in each lock-box and related lock-box address and account to which Collections are sent, all amounts on deposit therein, all certificates and instruments, if any, from time to time evidencing such accounts and amounts on deposit therein, and all related agreements between the Originator and each Lock-Box Bank, and (iv) all proceeds and products of any of the foregoing to secure all of the Originator's obligations hereunder.

ARTICLE II PURCHASE REPORT; CALCULATION OF PURCHASE PRICE

SECTION 2.1 Purchase Report. On the Closing Date and on each Settlement Date, the Servicer shall deliver to the Company and the Originator a report in substantially the form of Exhibit A (each such report being herein called a "Purchase Report") setting forth, among other things:

(a) Receivables purchased by the Company from the Originator on the Closing Date (in the case of the Purchase Report to be delivered on the Closing Date);

(b) Receivables purchased by the Company from the Originator during the period commencing on, and including, the Settlement Date immediately preceding such Settlement Date to (but not including) such Settlement Date (in the case of each subsequent Purchase Report); and

(c) the calculations of reductions of the Purchase Price for any Receivables as provided in Section 3.3 (a) and (b).

SECTION 2.2 Calculation of Purchase Price. The "Purchase Price" to be paid to the Originator (or in the case of Contributed Receivables, the amount to be recognized as a capital contribution) for the Receivables that are hereunder purchased from or contributed by, as the case may be, the Originator shall be determined in accordance with the following formula:

$$PP = OB \times FMVD$$

where:

PP = Purchase Price for each Receivable as calculated on the relevant Payment Date.

OB = The Outstanding Balance of such Receivable on the relevant Payment Date.

FMVD = Fair Market Value Discount, as measured on such Payment Date, which is equal to the quotient (expressed as percentage) of (a) one divided by (b) the sum of (i) one, plus (ii) the product of (A) the Prime Rate on such Payment Date plus 0.25% and (B) a fraction, the numerator of which is the Turnover Rate (calculated as of the last day of the Settlement Period next preceding such Payment Date) and the denominator of which is 12.

"Payment Date" means (i) the Closing Date and (ii) each Business Day thereafter that the Originator is open for business.

"Prime Rate" means a per annum rate equal to the "Prime Rate" as published in the "Money Rates" section of The Wall Street Journal or if such information ceases to be published in The Wall Street Journal, such other publication as determined by the Administrator in its reasonable discretion.

ARTICLE III PAYMENT OF PURCHASE PRICE

SECTION 3.1 Contribution of Receivables and Initial Purchase Price Payment.

(a) On the Closing Date, UGI shall, and hereby does, irrevocably and absolutely contribute to the capital of the Company Receivables and Related Rights consisting of

each Receivable of UGI that existed and was owing to UGI on the Closing Date beginning with the oldest of such Receivables and continuing chronologically thereafter such that the aggregate Outstanding Balance of all such Contributed Receivables shall be not less than \$4,000,000. Notwithstanding anything in this Agreement to the contrary, UGI shall not be prevented from contributing Receivables to the Company from time to time. Contributions made in connection with the immediately preceding sentence (i) shall have no effect on the aggregate Purchase Price of any Receivables sold by UGI to the Company on the date of such contribution and (ii) shall not affect the aggregate outstanding balance of any Company Note.

(b) On the terms and subject to the conditions set forth in this Agreement, the Company agrees to pay to the Originator the Purchase Price for the purchase to be made from the Originator on the Closing Date partially in cash (in an amount to be agreed between the Company and the Originator and set forth in the initial Purchase Report) and partially by issuing a promissory note in the form of Exhibit B to the Originator with an initial principal balance equal to the remaining Purchase Price (each such promissory note, as it may be amended, supplemented, endorsed or otherwise modified from time to time, together with all promissory notes issued from time to time in substitution therefor or renewal thereof in accordance with the Transaction Documents, each being herein called a "Company Note").

SECTION 3.2 Subsequent Purchase Price Payments. On each Payment Date subsequent to the Closing Date, on the terms and subject to the conditions set forth in this Agreement, the Company shall pay to the Originator the Purchase Price for the Receivables generated by the Originator on such Payment Date and sold to the Company hereunder:

(a) First, in cash to the extent the Company has cash available therefor; and

(b) Second, to the extent any portion of the Purchase Price remains unpaid, the principal amount outstanding under the applicable Company Note shall be increased by an amount equal to such remaining Purchase Price.

The Servicer shall make all appropriate record keeping entries with respect to each of the Company Notes to reflect the foregoing payments and reductions made pursuant to Section 3.3, and in the absence of manifest error the Servicer's books and records shall constitute rebuttable presumptive evidence of the principal amount of, and accrued interest on, each of the Company Notes at any time. Furthermore, the Servicer shall hold the Company Notes for the benefit of the Originator. The Originator hereby irrevocably authorizes the Servicer to mark the Company Notes "CANCELED" and to return such Company Notes to the Company upon the final payment thereof after the occurrence of the Purchase and Sale Termination Date.

SECTION 3.3 Settlement as to Specific Receivables and Dilution.

(a) If, on the day of purchase or contribution of any Receivable from the Originator hereunder, any of the representations or warranties set forth in Sections 5.4 and 5.12 are not true with respect to such Receivable or as a result of any action or inaction of the Originator, on any subsequent day, any of such representations or warranties set forth in Sections 5.4 and 5.12 are no longer true with respect to such Receivable, then the Purchase Price (or in the case of a Contributed Receivable, the capital contribution with respect to such Receivable (the

"Contributed Value")), with respect to such Receivable shall be reduced by an amount equal to the Outstanding Balance of such Receivable and shall be accounted to the Originator as provided in clause (c) below; provided, that if the Company thereafter receives payment on account of Collections due with respect to such Receivable, the Company promptly shall deliver such funds to the Originator.

(b) If, on any day, the Outstanding Balance of any Receivable (including any Contributed Receivable) purchased or contributed hereunder is reduced or adjusted as a result of any defective, rejected, returned goods or services, or any discount or other adjustment made by the Originator, the Company or the Servicer or any setoff or dispute between the Originator or the Servicer and an Obligor as indicated on the books of the Company (or, for periods prior to the Closing Date, the books of the Originator), then the Purchase Price or Contributed Value, as the case may be, with respect to such Receivable shall be reduced by the amount of such net reduction and shall be accounted to the Originator as provided in clause (c) below.

(c) Any reduction in the Purchase Price or Contributed Value of any Receivable pursuant to clause (a) or (b) above shall be applied as a credit for the account of the Company against the Purchase Price of Receivables subsequently purchased by or contributed to the Company from the Originator hereunder; provided, however if there have been no purchases of Receivables from the Originator (or insufficiently large purchases of Receivables) to create a Purchase Price sufficient to so apply such credit against, the amount of such credit: (i) shall be paid in cash to the Company by the Originator in the manner and for application as described in the following proviso, or (ii) shall be deemed to be a payment under, and shall be deducted from the principal amount outstanding under, the Company Note payable to the Originator;

provided, further, that at any time (y) when a Termination Event or Unmatured Termination Event exists under the Receivables Purchase Agreement or (z) on or after the Purchase and Sale Termination Date, the amount of any such credit shall be paid by the Originator to the Company by deposit in immediately available funds into the relevant Lock-Box Account for application by the Servicer to the same extent as if Collections of the applicable Receivable in such amount had actually been received on such date.

SECTION 3.4 Reconveyance of Receivables. In the event that the Originator has paid to the Company the full Outstanding Balance of any Receivable pursuant to Section 3.3, the Company shall reconvey such Receivable to the Originator, without representation or warranty, but free and clear of all liens, security interests, charges, and encumbrances created by the Company.

ARTICLE IV CONDITIONS OF PURCHASES

SECTION 4.1 Conditions Precedent to Initial Purchase. The initial purchase hereunder is subject to the condition precedent that the Servicer (on the Company's behalf) shall have received, on or before the Closing Date, the following, each (unless otherwise indicated) dated the Closing Date, and each in form and substance satisfactory to the Servicer (acting on the Company's behalf):

(a) An Originator Assignment Certificate in the form of Exhibit C from the Originator, duly completed, executed and delivered by the Originator;

(b) A copy of the resolutions of the Board of Directors of the Originator approving the Transaction Documents to be delivered by it and the transactions contemplated hereby and thereby, certified by the Secretary or Assistant Secretary of the Originator;

(c) Good standing or validly subsisting certificates for the Originator issued as of a recent date acceptable to the Servicer by the Secretary of State of the jurisdiction of the Originator's organization and each jurisdiction where the Originator is qualified to transact business;

(d) A certificate of the Secretary or Assistant Secretary of the Originator certifying the names and true signatures of the officers authorized on such Person's behalf to sign the Transaction Documents to be delivered by it (on which certificate the Servicer and the Company may conclusively rely until such time as the Servicer shall receive from such Person a revised certificate meeting the requirements of this clause (d));

(e) Copies of the certificate or articles of incorporation or other organizational document of the Originator duly certified by the Secretary of State of the jurisdiction of the Originator's organization as of a recent date, together with a copy of the by-laws of the Originator, each duly certified by the Secretary or an Assistant Secretary of the Originator;

(f) Originals of the proper financing statements (Form UCC-1) that have been duly executed and name the Originator as the debtor/seller and the Company as the secured party/purchaser (and the Issuer, as assignee of the Company) of the Receivables generated by the Originator as may be necessary or, in the Servicer's or the Administrator's opinion, desirable under the UCC of all appropriate jurisdictions to perfect the Company's ownership interest in all Receivables and such other rights, accounts, instruments and moneys (including, without limitation, Related Security) in which an ownership or security interest may be assigned to it hereunder;

(g) A written search report from a Person satisfactory to the Servicer listing all effective financing statements that name the Originator as debtor or seller and that are filed in the jurisdictions in which filings were made pursuant to the foregoing clause (f), together with copies of such financing statements (none of which, except for those described in the foregoing clause (f), shall cover any Receivable or any Related Rights which are to be sold to the Company hereunder), and tax and judgment lien search reports from a Person satisfactory to the Servicer showing no evidence of such liens filed against the Originator;

(h) A favorable opinion of Morgan, Lewis & Bockius LLP, counsel to the Originator, in form and substance satisfactory to the Servicer and the Administrator;

(i) [Intentionally Omitted.]

(j) A certificate from an officer of the Originator to the effect that the Servicer and the Originator have placed on the most recent, and have taken all steps reasonably necessary to ensure that there shall be placed on each subsequent, data processing report that the

Originator generates which are of the type that a proposed purchaser or lender would use to evaluate the Receivables, the following legend (or the substantive equivalent thereof): "THE RECEIVABLES DESCRIBED HEREIN HAVE BEEN CONTRIBUTED OR SOLD BY UGI ENERGY SERVICES, INC. TO ENERGY SERVICES FUNDING CORPORATION PURSUANT TO A PURCHASE AND SALE AGREEMENT, DATED AS OF NOVEMBER 30, 2001, AS MAY BE AMENDED FROM TIME TO TIME, BETWEEN UGI ENERGY SERVICES, INC. AND ENERGY SERVICES FUNDING CORPORATION, AS PURCHASER; AND AN UNDIVIDED, FRACTIONAL OWNERSHIP INTEREST IN THE RECEIVABLES DESCRIBED HEREIN HAS BEEN SOLD TO MARKET STREET FUNDING CORPORATION PURSUANT TO A RECEIVABLES PURCHASE AGREEMENT, DATED AS OF NOVEMBER 30, 2001 AS MAY BE AMENDED FROM TIME TO TIME, AMONG ENERGY SERVICES FUNDING CORPORATION, AS SELLER, UGI ENERGY SERVICES, INC., AS SERVICER, MARKET STREET FUNDING CORPORATION, AND PNC BANK, NATIONAL ASSOCIATION, AS ADMINISTRATOR"; and

(k) Such other approvals, opinions or documents as the Administrator or the Issuer may reasonably request.

SECTION 4.2 Certification as to Representations and Warranties. The Originator, by accepting the Purchase Price related to each purchase of Receivables generated by the Originator, shall be deemed to have certified that the representations and warranties contained in Article V are true and correct on and as of such day, with the same effect as though made on and as of such day.

SECTION 4.3 Additional Originators. Additional Persons may be added as Originators hereunder, with the consent of the Company and the Administrator, provided that the following conditions are satisfied on or before the date of such addition:

(a) The Servicer shall have given the Administrator and the Company at least thirty days prior written notice of such proposed addition and the identity of the proposed additional Originator and shall have provided such other information with respect to such proposed additional Originator as the Administrator may reasonably request;

(b) such proposed additional Originator has executed and delivered to the Company and the Administrator an agreement substantially in the form attached hereto as Exhibit D (a "Joinder Agreement");

(c) such proposed additional Originator has delivered to the Company and the Administrator each of the documents with respect to the Originator described in Sections 4.1 and 4.2;

(d) the Administrator shall have received a written statement from each of Moody's and Standard & Poor's confirming that the addition of the Originator will not result in a downgrade or withdrawal of the current ratings of the Notes; and

(e) the Purchase and Sale Termination Date shall not have occurred.

ARTICLE V
REPRESENTATIONS AND WARRANTIES OF THE ORIGINATOR

In order to induce the Company to enter into this Agreement and to make purchases hereunder, the Originator hereby makes, with respect to itself, the representations and warranties set forth in this Article V.

SECTION 5.1 Organization and Valid Subsistence. The Originator has been duly incorporated or formed and is validly existing or subsisting as a corporation, limited liability company or partnership, as applicable, in good standing under the laws of its jurisdiction of incorporation or formation, with corporate power and authority to own its properties and to conduct its business as such properties are presently owned and such business is presently conducted.

SECTION 5.2 Due Qualification. The Originator is located and is qualified to transact business as a foreign corporation, limited liability company or partnership, as applicable, in good standing in all jurisdictions in which (a) the ownership or lease of its property or the conduct of its business requires such licensing or qualification (except for the District of Columbia and the State of New York, in which jurisdictions the Originator shall be qualified within 90 days after the Closing Date) and (b) the failure to be so licensed or qualified would be reasonably likely to have a Material Adverse Effect.

SECTION 5.3 Power and Authority; Due Authorization. The Originator has (a) all necessary corporate power, authority and legal right (i) to execute and deliver, and perform its obligations under, each Transaction Document to which it is a party (including the use of the proceeds of the Purchase Price) and (ii) to generate, own, sell, contribute and assign Receivables on the terms and subject to the conditions herein and therein provided; and (b) duly authorized such execution and delivery and such sale, contribution and assignment and the performance of such obligations by all necessary corporate action.

SECTION 5.4 Valid Sale; Binding Obligations. Each sale or contribution, as the case may be, of Receivables made by the Originator pursuant to this Agreement is and shall constitute an irrevocable and absolute valid sale or contribution, as the case may be, transfer, and assignment of Receivables to the Company, enforceable against creditors of, and purchasers from, the Originator; and this Agreement constitutes, and each other Transaction Document to be signed by the Originator, when duly executed and delivered by the Originator, will constitute, a legal, valid, and binding obligation of the Originator, enforceable against the Originator in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, or other similar laws affecting the enforcement of creditors' rights generally and by general principles of equity, regardless of whether such enforceability is considered in a proceeding in equity or at law.

SECTION 5.5 No Violation. The consummation by the Originator of the transactions contemplated by this Agreement and the other Transaction Documents to be signed by the Originator, and the fulfillment by the Originator of the terms hereof or thereof, will not (a) conflict with, result in any breach of any of the terms and provisions of, or constitute (with or without notice or lapse of time) a default under (i) the Originator's certificate or articles of

incorporation or bylaws, limited partnership agreements, articles of organization or limited liability company agreements, as applicable or (ii) any indenture, loan agreement, mortgage, deed of trust, or other similar agreement or instrument to which it is a party or by which it is bound, (b) result in the creation or imposition of any Adverse Claim upon any of its properties pursuant to the terms of any such indenture, loan agreement, mortgage, deed of trust, or other similar agreement or instrument, other than the Transaction Documents, or (c) violate any law or any order, rule or regulation applicable to it of any court or of any state or foreign regulatory body, administrative agency, or other governmental instrumentality having jurisdiction over it or any of its properties.

SECTION 5.6 Proceedings. Except as set forth in Schedule 5.6, there is no action, suit, proceeding or investigation pending before any court, regulatory body, arbitrator, administrative agency, or other tribunal or governmental instrumentality (a) asserting the invalidity of any Transaction Document, (b) seeking to prevent the Originator from transferring any Receivable hereunder (or in the case such transfer does not constitute a sale or an absolute conveyance under any applicable law, from granting or maintaining the security interest in any Receivable) to the Company or the consummation of any of the transactions contemplated by any Transaction Document or (c) seeking any determination or ruling that is reasonably likely to have a Material Adverse Effect.

SECTION 5.7 Bulk Sales Acts. No transaction contemplated hereby requires compliance with, or will be subject to avoidance under, any bulk sales act or similar law.

SECTION 5.8 Government Approvals. Except for the filing of the UCC financing statements referred to in Article IV, all of which, at the time required in Article IV, shall have been duly made and shall be in full force and effect, no authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the Originator's due execution, delivery and performance of any Transaction Document to which it is a party.

SECTION 5.9 Financial Condition.

(a) Material Adverse Effect. Since September 30, 2001, no event has occurred that has had, or is reasonably likely to have, a Material Adverse Effect.

(b) Solvent. On the date hereof, and on the date of each purchase hereunder (both before and after giving effect to such purchase), the Originator shall be Solvent.

SECTION 5.10 Licenses, Contingent Liabilities, and Labor Controversies.

(a) The Originator has not failed to obtain any licenses, permits, franchises or other governmental authorizations necessary to the ownership of its properties or to the conduct of its business, which violation or failure to obtain would be reasonably likely to have a Material Adverse Effect.

(b) There are no labor controversies pending against the Originator that have had (or are reasonably likely to have) a Material Adverse Effect.

SECTION 5.11 Margin Regulations. No use of any funds acquired by the Originator under this Agreement will conflict with or contravene any of Regulations, T, U and X promulgated by the Federal Reserve Board from time to time.

SECTION 5.12 Quality of Title.

(a) Each Receivable of the Originator (together with the Related Rights with respect to such Receivable) which is to be sold to the Company hereunder is or shall be owned by the Originator, free and clear of any Adverse Claim, except as provided herein and in the Receivables Purchase Agreement. Whenever the Company makes a purchase or accepts a contribution hereunder, it shall have acquired and shall continue to have maintained a valid and perfected ownership interest (free and clear of any Adverse Claim) in all Receivables (except for those Receivables reconveyed to the Originator pursuant to Section 3.4) generated by the Originator and all Collections related thereto, and in the Originator's entire right, title and interest in and to the Related Rights with respect thereto.

(b) No effective financing statement or other instrument similar in effect covering any Receivable generated by the Originator or any Related Rights is on file in any recording office except such as may be filed in favor of the Company or the Originator, as the case may be, in accordance with this Agreement or in favor of the Issuer in accordance with the Receivables Purchase Agreement.

(c) Unless otherwise identified to the Company on the date of the purchase or contribution hereunder, each Receivable purchased hereunder is on the date of purchase or contribution an Eligible Receivable.

SECTION 5.13 Accuracy of Information. All factual written information heretofore or contemporaneously furnished (and prepared) by the Originator to the Company or the Administrator for purposes of or in connection with any Transaction Document or any transaction contemplated hereby or thereby is, and all other such factual written information hereafter furnished (and prepared) by the Originator to the Company or the Administrator pursuant to or in connection with any Transaction Document will be, true and accurate in all material respects on the date as of which such information is dated or certified.

SECTION 5.14 Offices. The Originator's principal place of business and chief executive office is located at the address set forth in Schedule 5.14A and the offices where the Originator keeps all its books, records and documents evidencing its Receivables, the related Contracts and all other agreements related to such Receivables are located at the addresses specified in Schedule 5.14B (or at such other locations, notified to the Servicer and the Administrator in accordance with Section 6.1(f)), in jurisdictions where all action required by Section 7.3 has been taken and completed. The Originator's organization type, jurisdiction of organization and organizational identification number are set forth on Schedule 5.14A.

SECTION 5.15 Trade Names. The Originator does not use any trade name other than its actual corporate name and the trade names set forth in Schedule 5.15. From and after the date that fell five (5) years before the date hereof, except as set forth in Schedule 5.15, the Originator

has not been known by any legal name other than its corporate name as of the date hereof, nor has the Originator been the subject of any merger or other corporate reorganization.

SECTION 5.16 Taxes. The Originator has filed all tax returns and reports required by law to have been filed by it and has paid all taxes and governmental charges thereby shown to be owing, except any such taxes or charges which are being diligently contested in good faith by appropriate proceedings and for which adequate reserves in accordance with GAAP shall have been set aside on its books.

SECTION 5.17 Compliance with Applicable Laws. The Originator is in compliance with the requirements of all applicable laws, rules, regulations and orders of all Governmental Authorities, a breach of any of which, individually or in the aggregate, would be reasonably likely to have a Material Adverse Effect.

SECTION 5.18 Reliance on Separate Legal Identity. The Originator acknowledges that the Issuer and the Administrator are entering into the Receivables Purchase Agreement in reliance upon the Company's identity as a legal entity separate from the Originator.

SECTION 5.19 Investment Company. The Originator is not an "investment company," or a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940 as amended. In addition, the Originator is not a "holding company," a "subsidiary company" of a "holding company" or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company" within the meaning of the Public Utility Holding Company Act of 1935, as amended.

SECTION 5.20 Valid Contracts. Each Contract with respect to each Receivable is effective to create, and has created, a legal, valid and binding obligation of the related Obligor to pay the Outstanding Balance of the Receivable created thereunder and any accrued interest thereon, enforceable against the Obligor in accordance with its terms, except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws relating to or limiting creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

ARTICLE VI COVENANTS OF THE ORIGINATOR

SECTION 6.1 Affirmative Covenants. Until the latest of the Facility Termination Date, the date on which no Capital of or Discount in respect of the Purchased Interest shall be outstanding or the date on which all other amounts owed by the Originator under this Agreement or the Receivables Purchase Agreement to the Seller, the Issuer, the Administrator and any other Indemnified Party or Affected Person shall be paid in full, the Originator will, unless the Administrator and the Company shall otherwise consent in writing:

(a) Compliance with Laws, Etc. Comply in all material respects with all applicable laws, rules, regulations and orders with respect to the Receivables generated by it and the Contracts and other agreements related thereto except where the failure to so comply would not materially and adversely affect the collectibility of such Receivables or the rights of the Company hereunder.

(b) Preservation of Corporate Existence. Except as otherwise permitted in Section 6.3(e), preserve and maintain its existence as a corporation, partnership or limited liability company, as applicable, and all rights, franchises and privileges in the jurisdiction of its incorporation, and qualify and remain qualified in good standing as a foreign corporation, partnership or limited liability company, as applicable, in each jurisdiction where the failure to preserve and maintain such existence, rights, franchises, privileges and qualification would be reasonably likely to have a Material Adverse Effect.

(c) Receivables Reviews. (i) From time to time during regular business hours as reasonably requested in advance by the Company or the Administrator (unless a Termination Event or an Unmatured Termination Event exists or there shall be a material variance in the performance of the Receivables), permit the Company or the Administrator, or their respective agents or representatives, (A) to examine and make copies of and abstracts from all books, records and documents (including, without limitation, computer tapes and disks) in possession or under the control of the Originator relating to Receivables, including, without limitation, the related Contracts and purchase orders and other agreements related thereto, and (B) to visit the offices and properties of the Originator for the purpose of examining such materials described in clause (A) above and to discuss matters relating to Receivables originated by it or the performance hereunder with any of the officers or employees of the Originator having knowledge of such matters, and (ii) without limiting the foregoing clause (i) above, permit certified public accountants or other auditors acceptable to the Company and Administrator to conduct, at the Company's expense, a review of the Originator's books and records with respect to such Receivables, provided that the Company shall not pay for more than one audit per year unless a Termination Event has occurred and is continuing.

(d) Keeping of Records and Books of Account. Maintain and implement administrative and operating procedures (including, without limitation, an ability to re-create records evidencing Receivables it generates in the event of the destruction of the originals thereof), and keep and maintain all documents, books, records and other information reasonably necessary or advisable for the collection of such Receivables (including, without limitation, records adequate to permit the daily identification of each new Receivable and all Collections of and adjustments to each existing Receivable).

(e) Performance and Compliance with Receivables and Contracts. Timely and fully perform and comply, in all material respects, with all provisions, covenants and other promises required to be observed by it under the Contracts and all other agreements related to the Receivables that it generates.

(f) Location of Records. Keep its principal place of business and chief executive office, and the offices where it keeps its records concerning or related to Receivables, at the address(es) referred to in Schedule 5.14 or, upon 15 days' prior written notice to the Company and the Administrator, at such other locations in jurisdictions where all action required by Section 7.3 shall have been taken and completed.

(g) Credit and Collection Policies. Comply in all material respects with its Credit and Collection Policy in connection with the Receivables that it generates and all Contracts and other agreements related thereto.

(h) Post Office Boxes. Within 30 days of the Closing Date, the only post office boxes into which Obligors will have been directed to send payments are post office boxes in the name of the relevant Lock-Box Banks.

(i) Transaction Documents. Comply in all material respects with the Transaction Documents to which it is a party.

(j) Change Affecting UCC. At least 30 days before any change in the Originator's name or any other change requiring the amendment of UCC financing statements, provide to the Company and the Servicer notice setting forth such changes and the effective date thereof and, prior to the effectiveness of such change, take all steps necessary to amend such financing statements to reflect such change.

SECTION 6.2 Reporting Requirements. Until the latest of the Facility Termination Date, the date on which no Capital of or Discount in respect of the Purchased Interest shall be outstanding or the date on which all other amounts owed by the Originator under this Agreement or the Receivables Purchase Agreement to the Seller, the Issuer, the Administrator and any other Indemnified Party or Affected Person shall be paid in full, the Originator will, unless the Servicer (on behalf of the Company) shall otherwise consent in writing, furnish to the Company and the Administrator:

(a) Purchase and Sale Termination Events. As soon as possible after the Originator has knowledge of the occurrence of, and in any event within three Business Days after the Originator has knowledge of the occurrence of each Purchase and Sale Termination Event or each Unmatured Purchase and Sale Termination Event in respect of the Originator, the statement of the chief financial officer or chief accounting officer of the Originator describing such Purchase and Sale Termination Event or Unmatured Purchase and Sale Termination Event and the action that the Originator proposes to take with respect thereto, in each case in reasonable detail;

(b) Proceedings. As soon as possible and in any event within three Business Days after the Originator otherwise has knowledge thereof, written notice of (i) material litigation, investigation or proceeding of the type described in Section 5.6 not previously disclosed to the Company and (ii) all materially adverse developments that have occurred with respect to any previously disclosed litigation, proceedings and investigations; and

(c) Other. Promptly, from time to time, such other information, documents, records or reports respecting the Receivables or the conditions or operations, financial or otherwise, of the Originator as the Company, the Issuer or the Administrator may from time to time reasonably request in order to protect the interests of the Company, the Issuer or the Administrator under or as contemplated by the Transaction Documents.

SECTION 6.3 Negative Covenants. Until the latest of the Facility Termination Date, the date on which no Capital of or Discount in respect of the Purchased Interest shall be outstanding or the date on which all other amounts owed by the Originator under this Agreement or the Receivables Purchase Agreement to the Seller, the Issuer, the Administrator and any other Indemnified Party or Affected Person shall be paid in full, the Originator agrees that, unless the

Servicer (on behalf of the Company) and the Administrator shall otherwise consent in writing, it shall not:

(a) Sales, Liens, Etc. Except as otherwise provided herein or in any other Transaction Document, sell, assign (by operation of law or otherwise) or otherwise dispose of, or create or suffer to exist any Adverse Claim upon or with respect to, any Receivable or related Contract or Related Security, or any interest therein, or any Collections thereon, or assign any right to receive income in respect thereof.

(b) Extension or Amendment of Receivables. Except as otherwise permitted in Section 4.2(a) of the Receivables Purchase Agreement, extend, amend or otherwise modify the terms of any Receivable in any material respect generated by it, or amend, modify or waive, in any material respect, any Contract related thereto (which term or condition relates to payments under, or the enforcement of, such Contract).

(c) Change in Business or Credit and Collection Policy. Make any change in the character of its business or materially alter its Credit and Collection Policy (other than a change to the insurance provisions of any such policy), which change or alteration would, in either case, materially adversely change the credit standing required of particular Obligors or potential Obligors or impair the collectibility of a material portion of Receivables generated by it.

(d) Receivables Not to be Evidenced by Promissory Notes or Chattel Paper. Take any action to cause or permit any Receivable generated by it to become evidenced by any "instrument" or "chattel paper" (as defined in the applicable UCC).

(e) Mergers, Acquisitions, Sales, etc. (i) Be a party to any merger or consolidation, except a merger or consolidation where the Originator is the surviving entity, or (ii) directly or indirectly sell, transfer, assign, convey or lease (A) whether in one or a series of transactions, all or substantially all of its assets or (B) any Receivables or any interest therein (other than pursuant to this Agreement).

(f) Lock-Box Banks. Make any changes in its instructions to Obligors regarding Collections or add or terminate any bank as a Lock-Box Bank unless the requirements of paragraph 2(g) of Exhibit IV to the Receivables Purchase Agreement have been met.

(g) Accounting for Purchases. Account for or treat (whether in financial statements or otherwise) the transactions contemplated hereby in any manner other than as sales or contributions to capital of the Receivables and Related Rights by the Originator to the Company.

(h) Transaction Documents. Enter into, execute, deliver or otherwise become bound by any agreement, instrument, document or other arrangement that restricts the right of the Originator to amend, supplement, amend and restate or otherwise modify, or to extend or renew, or to waive any right under, this Agreement or any other Transaction Document.

SECTION 6.4 Substantive Consolidation. The Originator hereby acknowledges that this Agreement and the other Transaction Documents are being entered into in reliance upon the

Company's identity as a legal entity separate from the Originator and its Affiliates. Therefore, from and after the date hereof, the Originator shall take all reasonable steps necessary to make it apparent to third Persons that the Company is an entity with assets and liabilities distinct from those of the Originator and any other Person, and is not a division of the Originator, its Affiliates or any other Person. Without limiting the generality of the foregoing and in addition to and consistent with the other covenants set forth herein, the Originator shall take such actions as shall be required in order that:

(a) except as provided for in Section 10.6, the Originator shall not be involved in the day to day management of the Company;

(b) the Originator shall maintain separate corporate records and books of account from the Company and otherwise will observe corporate formalities and have a separate area from the Company for its business;

(c) the financial statements and books and records of the Originator shall be prepared after the date of creation of the Company to reflect and shall reflect the separate existence of the Company; provided, that the Company's assets and liabilities may be included in a consolidated financial statement issued by an Affiliate of the Company; provided, however, all financial statements of UGI or any Affiliate thereof that are consolidated to include the Company will contain detailed notes clearly stating that (i) a special purpose corporation exists as a Subsidiary of UGI, (ii) the Originator has sold receivables and other related assets to such special purpose Subsidiary that, in turn, has sold undivided interests therein to certain financial institutions and other entities and (iii) that the special purpose Subsidiary's assets are not available to satisfy the obligations of UGI or any Affiliate;

(d) except as permitted by the Receivables Purchase Agreement or this Agreement, (i) the Originator shall maintain its assets separately from the assets of the Company, and (ii) the Company's assets, and records relating thereto, have not been, are not, and shall not be, commingled with those of the Originator;

(e) all of the Company's business correspondence and other communications shall be conducted in the Company's own name and on its own stationery;

(f) the Originator shall not act as an agent for the Company, other than UGI in its capacity as the Servicer, and in connection therewith, shall present itself to the public as an agent for the Company and a legal entity separate from the Company;

(g) the Originator shall not conduct any of the business of the Company in its own name;

(h) except as provided in Section 10.6, the Originator shall not pay any liabilities of the Company out of its own funds or assets;

(i) the Originator shall maintain an arm's-length relationship with the Company;

(j) the Originator shall not assume or guarantee or become obligated for the debts of the Company or hold out its credit as being available to satisfy the obligations of the Company;

(k) the Originator shall not acquire obligations of the Company;

(l) the Originator shall allocate fairly and reasonably overhead or other expenses that are properly shared with the Company, including, without limitation, shared office space;

(m) the Originator shall identify and hold itself out as a separate and distinct entity from the Company;

(n) the Originator shall correct any known misunderstanding respecting its separate identity from the Company;

(o) the Originator shall not enter into, or be a party to, any transaction with the Company, except in the ordinary course of its business and on terms which are intrinsically fair and not less favorable to it than would be obtained in a comparable arm's-length transaction with an unrelated third party; and

(p) the Originator shall not pay the salaries of the Company's employees, if any.

The provisions of this Section 6.4 shall survive any termination of this Agreement for one year and one day after the latest of the Facility Termination Date, the date on which no Capital of or Discount in respect of the Purchased Interest shall be outstanding or the date on which all other amounts owed by the Originator under this Agreement or the Receivables Purchase Agreement to the Seller, the Issuer, the Administrator and any other Indemnified Party or Affected Person shall be paid in full.

ARTICLE VII ADDITIONAL RIGHTS AND OBLIGATIONS IN RESPECT OF RECEIVABLES

SECTION 7.1 Rights of the Company. The Originator hereby authorizes the Company, the Servicer or their respective designees to take any and all steps in the Originator's name necessary or desirable, in their respective determination, to collect on behalf of the Company all amounts due under any and all Receivables, including, without limitation, indorsing the name of the Originator on checks and other instruments representing Collections and enforcing such Receivables and the provisions of the related Contracts that concern payment and/or enforcement of rights to payment.

SECTION 7.2 Responsibilities of the Originator. Anything herein to the contrary notwithstanding:

(a) Collection Procedures. Within 30 days of the Closing Date, the Originator agrees to direct its respective Obligor to make payments of Receivables directly to a post office

box related to the relevant Lock-Box Account at a Lock-Box Bank. The Originator further agrees to transfer any Collections that it receives directly to the Servicer (for the Company's account) within two (2) Business Days of receipt thereof, and agrees that all such Collections shall be deemed to be received in trust for the Company.

(b) The Originator shall perform its obligations hereunder, and the exercise by the Company or its designee of its rights hereunder shall not relieve the Originator from such obligations.

(c) None of the Company, the Servicer or the Administrator shall have any obligation or liability to any Obligor or any other third Person with respect to any Receivables, Contracts related thereto or any other related agreements, nor shall the Company, the Servicer, the Issuer or the Administrator be obligated to perform any of the obligations of the Originator thereunder.

(d) The Originator hereby grants to the Servicer an irrevocable power of attorney, with full power of substitution, coupled with an interest, to take, upon the occurrence and continuation of a Purchase and Sale Termination Event, in the name of the Originator and on behalf of the Company all steps necessary or advisable to endorse, negotiate or otherwise realize on any writing or other right of any kind held or transmitted by the Originator or transmitted or received by the Company (whether or not from the Originator) in connection with any Receivable and to take all other steps necessary to comply with its obligations as Servicer set forth in Article IV of the Receivables Purchase Agreement.

SECTION 7.3 Further Action Evidencing Purchases. The Originator agrees that from time to time, at its expense, it will promptly execute and deliver all further instruments and documents, and take all further action that the Servicer may reasonably request in order to perfect, protect or more fully evidence the Receivables and Related Rights purchased by or contributed to the Company hereunder, or to enable the Company to exercise or enforce any of its rights hereunder or under any other Transaction Document. Without limiting the generality of the foregoing, upon the request of the Servicer, the Originator will:

(a) execute and file such financing or continuation statements, or amendments thereto or assignments thereof, and such other instruments or notices, as may be necessary or appropriate; and

(b) mark the master data processing records that evidence or list (i) such Receivables and (ii) related Contracts with the legend set forth in Section 4.1(j).

The Originator hereby authorizes the Company or its designee to file one or more financing or continuation statements, and amendments thereto and assignments thereof, relative to all or any of the Receivables and Related Rights now existing or hereafter generated by the Originator. If the Originator fails to perform any of its agreements or obligations under this Agreement, the Company or its designee may (but shall not be required to) itself perform, or cause the performance of, such agreement or obligation, and the expenses of the Company or its designee incurred in connection therewith shall be payable by the Originator as provided in Section 9.1.

SECTION 7.4 Application of Collections. Any payment by an Obligor in respect of any amount owed by it to the Originator shall, except as otherwise specified by such Obligor or required by applicable law and unless otherwise instructed by the Servicer (with the prior written consent of the Administrator) or the Administrator, be applied as a Collection of any Receivable or Receivables of such Obligor to the extent of any amounts then due and payable thereunder (such application to be made starting with the oldest outstanding Receivable or Receivables) before being applied to any other indebtedness of such Obligor.

ARTICLE VIII
PURCHASE AND SALE TERMINATION EVENTS

SECTION 8.1 Purchase and Sale Termination Events. Each of the following events or occurrences described in this Section 8.1 shall constitute a "Purchase and Sale Termination Event":

(a) A Termination Event (as defined in the Receivables Purchase Agreement) shall have occurred and, in the case of a Termination Event (other than one described in paragraph (f) of Exhibit V of the Receivables Purchase Agreement), the Administrator, shall have declared the Facility Termination Date to have occurred; or

(b) The Originator shall fail to make any payment or deposit to be made by it hereunder when due and such failure shall remain unremedied for two (2) Business Days; or

(c) Any representation or warranty made or deemed to be made (pursuant to Section 4.2) by the Originator (or any of its officers) under or in connection with this Agreement, any other Transaction Documents, or any other written information or report delivered pursuant hereto or thereto shall prove to have been false or incorrect in any material respect when made or deemed made; provided, however, that if the violation of this paragraph (c) by the Originator may be cured without any potential or actual detriment to the Purchaser, the Administrator or any Program Support Provider, the Originator shall have 30 days from the earlier of (i) such Person's knowledge of such failure and (ii) notice to such Person of such failure to cure any such violation, before a Purchase and Sale Termination Event shall occur so long as such Person is diligently attempting to effect such cure; or

(d) The Originator shall fail to perform or observe any other term, covenant or agreement contained in this Agreement on its part to be performed or observed and such failure shall remain unremedied for 30 days after written notice thereof shall have been given by the Servicer to the Originator.

SECTION 8.2 Remedies.

(a) Optional Termination. Upon the occurrence of a Purchase and Sale Termination Event, the Company (and not the Servicer) shall have the option, by notice to the Originator (with a copy to the Administrator), to declare the Purchase Facility as terminated.

(b) Remedies Cumulative. Upon any termination of the Purchase Facility pursuant to Section 8.2(a), the Company shall have, in addition to all other rights and remedies

under this Agreement, all other rights and remedies provided under the UCC of each applicable jurisdiction and other applicable laws, which rights shall be cumulative.

ARTICLE IX INDEMNIFICATION

SECTION 9.1 Indemnities by the Originator. Without limiting any other rights which the Company may have hereunder or under applicable law, the Originator hereby agrees to indemnify the Company and each of its officers, directors, employees and agents (each of the foregoing Persons being individually called a "Purchase and Sale Indemnified Party"), forthwith on demand, from and against any and all damages, losses, claims, judgments, liabilities and related costs and expenses, including reasonable attorneys' fees and disbursements (all of the foregoing being collectively called "Purchase and Sale Indemnified Amounts") awarded against or incurred by any of them arising out of or as a result of the failure of the Originator to perform its obligations under this Agreement or any other Transaction Document, or arising out of the claims asserted against a Purchase and Sale Indemnified Party relating to the transactions contemplated herein or therein or the use of proceeds thereof or therefrom, excluding, however, (i) Purchase and Sale Indemnified Amounts to the extent resulting from gross negligence or willful misconduct on the part of such Purchase and Sale Indemnified Party, (ii) recourse with respect to any Receivable to the extent that such Receivable is uncollectible on account of insolvency, bankruptcy or lack of creditworthiness of the related Obligor (except as otherwise specifically provided under this Agreement) and (iii) any tax based upon or measured by net income property, or gross receipts. Without limiting the foregoing, the Originator shall indemnify each Purchase and Sale Indemnified Party for Purchase and Sale Indemnified Amounts relating to or resulting from:

(a) the transfer by the Originator of an interest in any Receivable to any Person other than the Company;

(b) the breach of any representation or warranty made by the Originator (or any of its officers) under or in connection with this Agreement or any other Transaction Document, or any written information or report delivered by the Originator pursuant hereto or thereto, which shall have been false or incorrect in any respect when made or deemed made;

(c) the failure by the Originator to comply with any applicable law, rule or regulation with respect to any Receivable generated by the Originator or the related Contract, or the nonconformity of any Receivable generated by the Originator or the related Contract with any such applicable law, rule or regulation;

(d) the failure to vest and maintain vested in the Company an ownership interest in the Receivables generated by the Originator free and clear of any Adverse Claim, other than an Adverse Claim arising solely as a result of an act of the Company, the Issuer or the Administrator whether existing at the time of the purchase or contribution of such Receivables or at any time thereafter;

(e) the failure to file, or any delay in filing, financing statements or other similar instruments or documents under the UCC of any applicable jurisdiction or other

applicable laws with respect to any Receivables or purported Receivables generated by the Originator, whether at the time of any purchase or contribution or at any subsequent time;

(f) any dispute, claim, offset or defense (other than discharge in bankruptcy) of the Obligor to the payment of any Receivable or purported Receivable generated by the Originator (including, without limitation, a defense based on such Receivable's or the related Contract's not being a legal, valid and binding obligation of such Obligor enforceable against it in accordance with its terms), or any other claim resulting from the services related to any such Receivable or the furnishing of or failure to furnish such services;

(g) any product liability claim arising out of or in connection with services that are the subject of any Receivable generated by the Originator; and

(h) any tax or governmental fee or charge (other than any tax excluded pursuant to clause (iii) in the proviso to the preceding sentence), all interest and penalties thereon or with respect thereto, and all out-of-pocket costs and expenses, including the reasonable fees and expenses of counsel in defending against the same, which may arise by reason of the purchase or ownership of the Receivables generated by the Originator or any Related Security connected with any such Receivables.

If for any reason the indemnification provided above in this Section 9.1 is unavailable to a Purchase and Sale Indemnified Party or is insufficient to hold such Purchase and Sale Indemnified Party harmless, then the Originator, severally and for itself, shall contribute to the amount paid or payable by such Purchase and Sale Indemnified Party to the maximum extent permitted under applicable law.

ARTICLE X MISCELLANEOUS

SECTION 10.1 Amendments, etc.

(a) The provisions of this Agreement may from time to time be amended, modified or waived, if such amendment, modification or waiver is in writing and executed by the Company and the Originator (with the prior written consent of the Administrator).

(b) No failure or delay on the part of the Company, the Servicer, the Originator or any third party beneficiary in exercising any power or right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such power or right preclude any other or further exercise thereof or the exercise of any other power or right. No notice to or demand on the Company, the Servicer or the Originator in any case shall entitle it to any notice or demand in similar or other circumstances. No waiver or approval by the Company or the Servicer under this Agreement shall, except as may otherwise be stated in such waiver or approval, be applicable to subsequent transactions. No waiver or approval under this Agreement shall require any similar or dissimilar waiver or approval thereafter to be granted hereunder.

(c) The Transaction Documents contain a final and complete integration of all prior expressions by the parties hereto with respect to the subject matter thereof and shall

constitute the entire agreement among the parties hereto with respect to the subject matter thereof, superseding all prior oral or written understandings.

SECTION 10.2 Notices, etc. All notices and other communications provided for hereunder shall, unless otherwise stated herein, be in writing (including facsimile communication) and shall be personally delivered or sent by certified mail, postage prepaid, via nationally recognized courier, or by facsimile, to the intended party at the mailing address or facsimile number of such party set forth under its name on the signature pages hereof or at such other address or facsimile number as shall be designated by such party in a written notice to the other parties hereto. All such notices and communications shall be effective (i) if personally delivered, when received, (ii) if sent by certified mail three (3) Business Days after having been deposited in the mail, postage prepaid, (iii) if transmitted by facsimile, when sent, receipt confirmed by telephone or electronic means (and shall be followed by a hard copy sent by first class mail), and (iv) if by nationally recognized overnight courier, the next Business Day.

SECTION 10.3 No Waiver; Cumulative Remedies. The remedies herein provided are cumulative and not exclusive of any remedies provided by law. Without limiting the foregoing, the Originator hereby authorizes the Company, at any time and from time to time, to the fullest extent permitted by law, to set off, against any obligations of the Originator to the Company arising in connection with the Transaction Documents (including, without limitation, amounts payable pursuant to Section 9.1) that are then due and payable or that are not then due and payable but are accruing in respect of the then current Settlement Period, any and all indebtedness at any time owing by the Company to or for the credit or the account of the Originator.

SECTION 10.4 Binding Effect; Assignability. This Agreement shall be binding upon and inure to the benefit of the Company and the Originator and their respective successors and permitted assigns. The Originator may not assign any of its rights hereunder or any interest herein without the prior written consent of the Company, except as otherwise herein specifically provided. This Agreement shall create and constitute the continuing obligations of the parties hereto in accordance with its terms, and shall remain in full force and effect until such time as the parties hereto shall agree in writing. The rights and remedies with respect to any breach of any representation and warranty made by the Originator pursuant to Article V and the indemnification and payment provisions of Article IX and Section 10.6 shall be continuing and shall survive any termination of this Agreement.

SECTION 10.5 Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

SECTION 10.6 Costs, Expenses and Taxes. In addition to the obligations of the Originator under Article IX, the Originator, agrees to pay on demand:

(a) to the Company (and any successor and permitted assigns thereof) all reasonable costs and expenses incurred by such Person in connection with the enforcement of this Agreement and the other Transaction Documents; and

(b) all stamp and other taxes and fees payable or determined to be payable in connection with the execution, delivery, filing and recording of this Agreement or the other Transaction Documents to be delivered hereunder, and agrees to indemnify each Purchase and Sale Indemnified Party against any liabilities with respect to or resulting from any delay in paying or omission to pay such taxes and fees.

SECTION 10.7 SUBMISSION TO JURISDICTION. EACH PARTY HERETO HEREBY IRREVOCABLY (a) SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF THE STATE OF NEW YORK OR THE FEDERAL COURT OF THE UNITED STATES FOR SOUTHERN DISTRICT OF NEW YORK, NEW YORK OVER ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO ANY TRANSACTION DOCUMENT; (b) AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH STATE OR UNITED STATES FEDERAL COURT; (c) WAIVES, TO THE FULLEST EXTENT IT MAY EFFECTIVELY DO SO, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING; (d) IRREVOCABLY CONSENTS TO THE SERVICE OF ANY AND ALL PROCESS IN ANY SUCH ACTION OR PROCEEDING BY THE MAILING OF COPIES OF SUCH PROCESS TO SUCH PERSON AT ITS ADDRESS SPECIFIED IN SECTION 10.2; AND (e) AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS SECTION 10.7 SHALL AFFECT THE COMPANY'S RIGHT TO SERVE LEGAL PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR TO BRING ANY ACTION OR PROCEEDING AGAINST THE ORIGINATOR OR ITS PROPERTY IN THE COURTS OF ANY OTHER JURISDICTIONS.

SECTION 10.8 WAIVER OF JURY TRIAL. EACH PARTY HERETO WAIVES ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO ENFORCE OR DEFEND ANY RIGHTS UNDER OR RELATING TO THIS AGREEMENT, ANY OTHER TRANSACTION DOCUMENT, OR ANY AMENDMENT, INSTRUMENT, DOCUMENT OR AGREEMENT DELIVERED OR WHICH MAY IN THE FUTURE BE DELIVERED IN CONNECTION HERewith OR ARISING FROM ANY RELATIONSHIP EXISTING IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER TRANSACTION DOCUMENT, AND AGREES THAT (a) ANY SUCH ACTION OR PROCEEDING SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY AND (b) ANY PARTY HERETO (OR ANY ASSIGNEE OR THIRD PARTY BENEFICIARY OF THIS AGREEMENT) MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS AGREEMENT WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF ANY OTHER PARTY OR PARTIES HERETO TO WAIVER OF ITS OR THEIR RIGHT TO TRIAL BY JURY.

SECTION 10.9 Captions and Cross References; Incorporation by Reference. The various captions (including, without limitation, the table of contents) in this Agreement are included for convenience only and shall not affect the meaning or interpretation of any provision of this Agreement. References in this Agreement to any underscored Section or Exhibit are to such Section or Exhibit of this Agreement, as the case may be. The Exhibits hereto are hereby incorporated by reference into and made a part of this Agreement.

SECTION 10.10 Execution in Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and the same Agreement.

SECTION 10.11 Acknowledgment and Agreement. By execution below, the Originator expressly acknowledges and agrees that all of the Company's rights, title, and interests in, to, and under this Agreement (but not its obligations), shall be assigned by the Company pursuant to the Receivables Purchase Agreement, and the Originator consents to such assignment. Each of the parties hereto acknowledges and agrees that the Administrator, and the Issuer are third party beneficiaries of the rights of the Company arising hereunder and under the other Transaction Documents to which the Originator is a party.

SECTION 10.12 No Proceeding. The Originator hereby agrees that it will not institute against, or cause to be instituted against, the Issuer, or join any other Person in instituting against the Issuer, any insolvency proceeding (namely, any proceeding of the type referred to in the definition of Insolvency Proceeding) so long as any Notes shall be outstanding or there shall have elapsed less than one year plus two days since the last day on which any such Notes shall have been outstanding.

SECTION 10.13 Limited Recourse. Except as explicitly set forth herein, the obligations of the Company and the Originator under this Agreement or any other Transaction Documents to which each is a party are solely the obligations of the Company and each Originator. No recourse under any Transaction Document shall be had against, and no liability shall attach to, any officer, employee, director, or beneficiary, whether directly or indirectly, of the Company or the Originator; provided, however, that this Section shall not relieve any such Person of any liability it might otherwise have for its own gross negligence or willful misconduct.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their respective officers thereunto duly authorized as of the date first above written.

ENERGY SERVICES FUNDING CORPORATION

By: _____
Name: _____
Title: _____

Address: Energy Services Funding Corporation
460 North Gulph Road, Suite 200
King of Prussia, PA 19406-2815

Attention: Robert W. Krick
Telephone: (610) 337-1000 ext. 3141
Facsimile: (610) 992-3259

UGI ENERGY SERVICES, INC.

By: _____
Name: _____
Title: _____

Address: UGI Energy Services, Inc.
1100 Berkshire Boulevard, Suite 305
Wyomissing, PA 19610

Attention: Joseph L. Hartz
Telephone: (610) 373-7999 ext. 106
Facsimile: (610) 374-4288

PROCEEDINGS

Complaint of GASMARK against Columbia Gas of Pennsylvania, Inc. ("Columbia"), filed with the Public Utility Commission on July 19, 2001, regarding (i) the imposition of Operational Flow Orders and Operational Matching Orders, (ii) the imposition of penalties for the failure to deliver gas to Columbia's local market areas, and (iii) certain of Columbia's tariff provisions and business practices; Answer and new matter of Columbia filed on August 13, 2001, seeking unspecified sanctions against GASMARK for failure to honor its delivery obligations as a licensed supplier on the Columbia system.

Schedule 5.6-2

CHIEF EXECUTIVE OFFICE OF THE ORIGINATOR

ORIGINATOR -----	JURISDICTION OF ORGANIZATION AND TYPE OF ORGANIZATION -----	CHIEF EXECUTIVE OFFICE -----	ORGANIZATIONAL IDENTIFICATION NUMBER -----
UGI Energy Services, Inc.	Pennsylvania corporation	1100 Berkshire Blvd Suite 305 Wyomissing, PA 19610	2627451

LOCATION OF BOOKS AND RECORDS OF THE ORIGINATOR

ORIGINATOR - - - - -	LOCATION OF BOOKS AND RECORDS - - - - -
UGI Energy Services, Inc.	460 North Gulph Road King of Prussia, Pennsylvania 19406-2815
	100 Kachel Boulevard Suite 400 Reading, Pennsylvania 19607
	1100 Berkshire Boulevard Suite 305 Wyomissing, Pennsylvania 19610

TRADE NAMES

LEGAL NAME - - - - -	TRADE NAMES - - - - -
UGI Energy Services, Inc.	GASMARK
	POWERMARK

FORM OF PURCHASE REPORT

Originator:

Purchaser: Energy Services Funding Corporation

Payment Date:

1. Outstanding Balance of Receivables Purchased:
2. Fair Market Value Discount:
$$1 / \{1 + [(Prime\ Rate + 0.25\%) \times Turnover\ Rate]\}$$

12

Where:

Prime Rate = _____

Turnover Rate = _____

3. Purchase Price (1 x 2) = \$ _____

Exhibit A-1

FORM OF SUBORDINATED COMPANY NOTE

_____, 200____

FOR VALUE RECEIVED, the undersigned, Energy Services Funding Corporation, a Delaware corporation ("Company"), promises to pay to UGI Energy Services Inc., a Pennsylvania corporation (the "Originator"), on the terms and subject to the conditions set forth herein and in the Purchase and Sale Agreement referred to below, the aggregate unpaid Purchase Price of all Receivables purchased by the Company from the Originator pursuant to such Purchase and Sale Agreement, as such unpaid Purchase Price is shown in the records of the Servicer.

1. Purchase and Sale Agreement. This Company Note is one of the Company Notes described in, and is subject to the terms and conditions set forth in, that certain Purchase and Sale Agreement of even date herewith (as the same may be amended, supplemented, amended and restated or otherwise modified in accordance with its terms, the "Purchase and Sale Agreement"), between the Company and the Originator. Reference is hereby made to the Purchase and Sale Agreement for a statement of certain other rights and obligations of the Company and the Originator.

2. Definitions. Capitalized terms used (but not defined) herein have the meanings assigned thereto in Exhibit I to the Receivables Purchase Agreement (as defined in the Purchase and Sale Agreement). In addition, as used herein, the following terms have the following meanings:

"Bankruptcy Proceedings" has the meaning set forth in clause (b) of paragraph 9 hereof.

"Final Maturity Date" means the Payment Date immediately following the date that falls one hundred twenty one (121) days after the Purchase and Sale Termination Date.

"Interest Period" means the period from and including a Settlement Date (or, in the case of the first Interest Period, the date hereof) to but excluding the next Settlement Date.

"Prime Rate" has the meaning assigned thereto in the Purchase and Sale Agreement.

"Receivables Purchase Agreement" means the Receivables Purchase Agreement, dated as of November 30, 2001, entered into among Energy Services Funding Corporation, UGI Energy Services, Inc., Market Street Funding Corporation and PNC Bank, National Association, as may be amended, amended and restated, supplemented or otherwise modified from time to time.

"Senior Interests" means, collectively, (i) all accrued and unpaid Discount, (ii) all fees payable by the Company to the Senior Interest Holders pursuant to the Receivables Purchase Agreement, (iii) all amounts payable pursuant to Section 1.7 and 1.8 of the Receivables Purchase Agreement, (iv) the aggregate Capital and (v) all other obligations owed by the Company to the

Senior Interest Holders under the Receivables Purchase Agreement and other Transaction Documents that are due and payable, together with any and all interest and Discount accruing on any such amount after the commencement of any Bankruptcy Proceedings, notwithstanding any provision or rule of law that might restrict the rights of any Senior Interest Holder, as against the Company or anyone else, to collect such interest.

"Senior Interest Holders" means, collectively, the Issuer, the Administrator and the Indemnified Parties.

"Subordination Provisions" means, collectively, clauses (a) through (l) of paragraph 9 hereof.

"One-Month LIBOR Rate" means, for any Interest Period, the rate set forth for "one month" under "London Interbank Offered Rates (Libor):" as published in the Wall Street Journal on the first day of such Interest Period.

3. Interest. Subject to the Subordination Provisions set forth below, the Company promises to pay interest on this Company Note as follows:

(a) Prior to the Final Maturity Date, the aggregate unpaid Purchase Price from time to time outstanding during any Interest Period shall bear interest at a rate per annum equal to the One-Month LIBOR Rate for such Interest Period as determined by the Servicer; and

(b) From (and including) the Final Maturity Date to (but excluding) the date on which the entire aggregate unpaid Purchase Price payable to the Originator is fully paid, such aggregate unpaid Purchase Price from time to time outstanding shall bear interest at a rate per annum equal to the Prime Rate.

4. Interest Payment Dates. Subject to the Subordination Provisions set forth below, the Company shall pay accrued interest on this Company Note on each Settlement Date, and shall pay accrued interest on the amount of each principal payment made in cash on a date other than a Settlement Date at the time of such principal payment.

5. Basis of Computation. Interest accrued hereunder that is computed by reference to the One-Month LIBOR Rate shall be computed for the actual number of days elapsed on the basis of a 360-day year, and interest accrued hereunder that is computed by reference to the rate described in paragraph 3(b) of this Company Note shall be computed for the actual number of days elapsed on the basis of a 365- or 366-day year.

6. Principal Payment Dates. Subject to the Subordination Provisions set forth below, payments of the principal amount of this Company Note shall be made as follows:

(a) The principal amount of this Company Note shall be reduced by an amount equal to each payment deemed made pursuant to Section 3.3 of the Purchase and Sale Agreement; and

(b) The entire remaining unpaid Purchase Price of all Receivables purchased by the Company from the Originator pursuant to the Purchase and Sale Agreement shall be due and payable on the Final Maturity Date.

Subject to the Subordination Provisions set forth below, the principal amount of and accrued interest on this Company Note may be prepaid on any Business Day without premium or penalty.

7. Payment Mechanics. All payments of principal and interest hereunder are to be made in lawful money of the United States of America.

8. Enforcement Expenses. In addition to and not in limitation of the foregoing, but subject to the Subordination Provisions set forth below and to any limitation imposed by applicable law, the Company agrees to pay all expenses, including reasonable attorneys' fees and legal expenses, incurred by the Originator in seeking to collect any amounts payable hereunder which are not paid when due.

9. Subordination Provisions. The Company covenants and agrees, and the Originator and any other holder of this Company Note (collectively, the Originator and any such other holder are called the "Holder"), by its acceptance of this Company Note, likewise covenants and agrees on behalf of itself and any holder of this Company Note, that the payment of the principal amount of and interest on this Company Note is hereby expressly subordinated in right of payment to the payment and performance of the Senior Interests to the extent and in the manner set forth in the following clauses of this paragraph 9:

(a) No payment or other distribution of the Company's assets of any kind or character, whether in cash, securities, or other rights or property, shall be made on account of this Company Note except to the extent such payment or other distribution is (i) permitted under paragraph 1(n) of Exhibit IV of the Receivables Purchase Agreement or (ii) made pursuant to clause (a) or (b) of paragraph 6 of this Company Note;

(b) In the event of any dissolution, winding up, liquidation, readjustment, reorganization or other similar event relating to the Company, whether voluntary or involuntary, partial or complete, and whether in bankruptcy, insolvency or receivership proceedings, or upon an assignment for the benefit of creditors, or any other marshalling of the assets and liabilities of the Company or any sale of all or substantially all of the assets of the Company other than as permitted by the Purchase and Sale Agreement (such proceedings being herein collectively called "Bankruptcy Proceedings"), the Senior Interests shall first be paid and performed in full and in cash before the Originator shall be entitled to receive and to retain any payment or distribution in respect of this Company Note. In order to implement the foregoing during any Bankruptcy Proceeding: (i) all payments and distributions of any kind or character in respect of this Company Note to which Holder would be entitled except for this clause (b) shall be made directly to the Administrator (for the benefit of the Senior Interest Holders); (ii) Holder shall promptly file a claim or claims, in the form required in any Bankruptcy Proceedings, for the full outstanding amount of this Company Note, and shall use commercially reasonable efforts to cause said claim or claims to be approved and all payments and other distributions in respect thereof to be made directly to the Administrator (for the benefit of the Senior Interest Holders)

until the Senior Interests shall have been paid and performed in full and in cash; and (iii) Holder hereby irrevocably agrees that the Issuer (or the Administrator acting on the Issuer's behalf), in the name of Holder or otherwise, may demand, sue for, collect, receive and receipt for any and all such payments or distributions, and file, prove and vote or consent in any such Bankruptcy Proceedings with respect to any and all claims of Holder relating to this Company Note, in each case until the Senior Interests shall have been paid and performed in full and in cash;

(c) In the event that Holder receives any payment or other distribution of any kind or character from the Company or from any other source whatsoever, in respect of this Company Note, other than as expressly permitted by the terms of this Company Note, such payment or other distribution shall be received in trust for the Senior Interest Holders and shall be turned over by Holder to the Administrator (for the benefit of the Senior Interest Holders) forthwith. Holder will mark its books and records so as clearly to indicate that this Company Note is subordinated in accordance with the terms hereof. All payments and distributions received by the Administrator in respect of this Company Note, to the extent received in or converted into cash, may be applied by the Administrator (for the benefit of the Senior Interest Holders) first to the payment of any and all expenses (including reasonable attorneys' fees and legal expenses) paid or incurred by the Senior Interest Holders in enforcing these Subordination Provisions, or in endeavoring to collect or realize upon this Company Note, and any balance thereof shall, solely as between the Originator and the Senior Interest Holders, be applied by the Administrator (in the order of application set forth in Section 1.4(d)(ii) of the Receivables Purchase Agreement) toward the payment of the Senior Interests; but as between the Company and its creditors, no such payments or distributions of any kind or character shall be deemed to be payments or distributions in respect of the Senior Interests;

(d) Notwithstanding any payments or distributions received by the Senior Interest Holders in respect of this Company Note, while any Bankruptcy Proceedings are pending Holder shall not be subrogated to the then existing rights of the Senior Interest Holders in respect of the Senior Interests until the Senior Interests have been paid and performed in full and in cash. If no Bankruptcy Proceedings are pending, Holder shall only be entitled to exercise any subrogation rights that it may acquire (by reason of a payment or distribution to the Senior Interest Holders in respect of this Company Note) to the extent that any payment arising out of the exercise of such rights would be permitted under paragraph 1(n) of Exhibit IV of the Receivables Purchase Agreement;

(e) These Subordination Provisions are intended solely for the purpose of defining the relative rights of Holder, on the one hand, and the Senior Interest Holders on the other hand. Nothing contained in these Subordination Provisions or elsewhere in this Company Note is intended to or shall impair, as between the Company, its creditors (other than the Senior Interest Holders) and Holder, the Company's obligation, which is unconditional and absolute, to pay Holder the principal of and interest on this Company Note as and when the same shall become due and payable in accordance with the terms hereof or to affect the relative rights of Holder and creditors of the Company (other than the Senior Interest Holders);

(f) Holder shall not, until the Senior Interests have been paid and performed in full and in cash, (i) cancel, waive, forgive, transfer or assign, or commence legal proceedings to enforce or collect, or subordinate to any obligation of the Company, howsoever created,

arising or evidenced, whether direct or indirect, absolute or contingent, or now or hereafter existing, or due or to become due, other than the Senior Interests, this Company Note or any rights in respect hereof or (ii) convert this Company Note into an equity interest in the Company, unless Holder shall have received the prior written consent of the Administrator and the Issuer in each case;

(g) Holder shall not, without the advance written consent of the Administrator and the Issuer, commence, or join with any other Person in commencing, any Bankruptcy Proceedings with respect to the Company until at least one year and one day shall have passed since the Senior Interests shall have been paid and performed in full and in cash;

(h) If, at any time, any payment (in whole or in part) of any Senior Interest is rescinded or must be restored or returned by a Senior Interest Holder (whether in connection with Bankruptcy Proceedings or otherwise), these Subordination Provisions shall continue to be effective or shall be reinstated, as the case may be, as though such payment had not been made;

(i) Each of the Senior Interest Holders may, from time to time, at its sole discretion, without notice to Holder, and without waiving any of its rights under these Subordination Provisions, take any or all of the following actions: (i) retain or obtain an interest in any property to secure any of the Senior Interests; (ii) retain or obtain the primary or secondary obligations of any other obligor or obligors with respect to any of the Senior Interests; (iii) extend or renew for one or more periods (whether or not longer than the original period), alter or exchange any of the Senior Interests, or release or compromise any obligation of any nature with respect to any of the Senior Interests; (iv) amend, supplement, amend and restate, or otherwise modify any Transaction Document; and (v) release its security interest in, or surrender, release or permit any substitution or exchange for all or any part of any rights or property securing any of the Senior Interests, or extend or renew for one or more periods (whether or not longer than the original period), or release, compromise, alter or exchange any obligations of any nature of any obligor with respect to any such rights or property;

(j) Holder hereby waives: (i) notice of acceptance of these Subordination Provisions by any of the Senior Interest Holders; (ii) notice of the existence, creation, non-payment or non-performance of all or any of the Senior Interests; and (iii) all diligence in enforcement, collection or protection of, or realization upon, the Senior Interests, or any thereof, or any security therefor;

(k) Each of the Senior Interest Holders may, from time to time, on the terms and subject to the conditions set forth in the Transaction Documents to which such Persons are party, but without notice to Holder, assign or transfer any or all of the Senior Interests, or any interest therein; and, notwithstanding any such assignment or transfer or any subsequent assignment or transfer thereof, such Senior Interests shall be and remain Senior Interests for the purposes of these Subordination Provisions, and every immediate and successive assignee or transferee of any of the Senior Interests or of any interest of such assignee or transferee in the Senior Interests shall be entitled to the benefits of these Subordination Provisions to the same extent as if such assignee or transferee were the assignor or transferor; and

(1) These Subordination Provisions constitute a continuing offer from the holder of this Company Note to all Persons who become the holders of, or who continue to hold, Senior Interests; and these Subordination Provisions are made for the benefit of the Senior Interest Holders, and the Administrator may proceed to enforce such provisions on behalf of each of such Persons.

10. General. No failure or delay on the part of the Originator in exercising any power or right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such power or right preclude any other or further exercise thereof or the exercise of any other power or right. No amendment, modification or waiver of, or consent with respect to, any provision of this Company Note shall in any event be effective unless (i) the same shall be in writing and signed and delivered by the Company and Holder and (ii) all consents required for such actions under the Transaction Documents shall have been received by the appropriate Persons.

11. Maximum Interest. Notwithstanding anything in this Company Note to the contrary, the Company shall never be required to pay unearned interest on any amount outstanding hereunder and shall never be required to pay interest on the principal amount outstanding hereunder at a rate in excess of the maximum interest rate that may be contracted for, charged or received under applicable federal or state law (such maximum rate being herein called the "Highest Lawful Rate"). If the effective rate of interest which would otherwise be payable under this Company Note would exceed the Highest Lawful Rate, or if the holder of this Company Note shall receive any unearned interest or shall receive monies that are deemed to constitute interest which would increase the effective rate of interest payable by the Company under this Company Note to a rate in excess of the Highest Lawful Rate, then (i) the amount of interest which would otherwise be payable by the Company under this Company Note shall be reduced to the amount allowed by applicable law, and (ii) any unearned interest paid by the Company or any interest paid by the Company in excess of the Highest Lawful Rate shall be refunded to the Company. Without limitation of the foregoing, all calculations of the rate of interest contracted for, charged or received by the Originator under this Company Note that are made for the purpose of determining whether such rate exceeds the Highest Lawful Rate applicable to the Originator (such Highest Lawful Rate being herein called the "Originator's Maximum Permissible Rate") shall be made, to the extent permitted by usury laws applicable to the Originator (now or hereafter enacted), by amortizing, prorating and spreading in equal parts during the actual period during which any amount has been outstanding hereunder all interest at any time contracted for, charged or received by the Originator in connection herewith. If at any time and from time to time (i) the amount of interest payable to the Originator on any date shall be computed at the Originator's Maximum Permissible Rate pursuant to the provisions of the foregoing sentence and (ii) in respect of any subsequent interest computation period the amount of interest otherwise payable to the Originator would be less than the amount of interest payable to the Originator computed at the Originator's Maximum Permissible Rate, then the amount of interest payable to the Originator in respect of such subsequent interest computation period shall continue to be computed at the Originator's Maximum Permissible Rate until the total amount of interest payable to the Originator shall equal the total amount of interest which would have been payable to the Originator if the total amount of interest had been computed without giving effect to the provisions of the foregoing sentence.

12. No Negotiation. This Company Note is not negotiable except that it may be assigned to any Affiliate of the Originator.

13. GOVERNING LAW. THIS COMPANY NOTE HAS BEEN DELIVERED IN THE STATE OF NEW YORK, AND SHALL BE DEEMED TO BE A CONTRACT MADE UNDER AND GOVERNED BY THE INTERNAL LAWS OF THE STATE OF NEW YORK.

14. Captions. Paragraph captions used in this Company Note are for convenience only and shall not affect the meaning or interpretation of any provision of this Company Note.

[signature page follows]

Exhibit B-7

ENERGY SERVICES FUNDING
CORPORATION

By: _____
Name: _____
Title: _____

Exhibit B-8

FORM OF ORIGINATOR ASSIGNMENT CERTIFICATE

ORIGINATOR ASSIGNMENT CERTIFICATE

Reference is made to the Purchase and Sale Agreement of even date herewith (as the same may be amended, supplemented, amended and restated or otherwise modified from time to time, the "Purchase and Sale Agreement") between the undersigned and Energy Services Funding Corporation (the "Company"). Unless otherwise defined herein, capitalized terms used herein have the meanings provided in the Purchase and Sale Agreement or in Exhibit I to the Receivables Purchase Agreement (as defined in the Purchase and Sale Agreement), as applicable.

The undersigned hereby sells, assigns and transfers unto the Company and its successors and assigns all right, title and interest of the undersigned in and to:

(a) each Receivable of the undersigned that existed and was owing to the undersigned as of the Cut-off Date other than Receivables contributed pursuant to Section 3.1 of the Purchase and Sale Agreement;

(b) each Receivable generated by the undersigned from and including the Cut-off Date to and including the Purchase and Sale Termination Date (other than any Receivable later contributed pursuant to the second sentence of Section 3.1(a) of the Purchase and Sale Agreement);

(c) all rights of the undersigned to, but not the obligations under, all Related Security;

(d) all monies due or to become due to the undersigned with respect to any of the foregoing;

(e) all books and records of the undersigned related to any of the foregoing, and all rights, remedies, powers, privileges, title and interest of the undersigned in each lock-box and related lock-box address and account to which Collections are sent, all amounts on deposit therein, all certificates and instruments, if any, from time to time evidencing such accounts and amounts on deposit therein, and all related agreements between the undersigned and each Lock-Box Bank; and

(f) all collections and other proceeds and products of any of the foregoing (as defined in the applicable UCC) that are or were received by the undersigned on or after the Cut-off Date, including, without limitation, all funds which either are received by the undersigned, the Company or the Servicer from or on behalf of the Obligors in payment of any amounts owed (including, without limitation, invoice price, finance charges, interest and all other charges) in respect of Receivables, or are applied to such amounts owed by the Obligors (including, without limitation, insurance payments that the undersigned or the Servicer applies in the ordinary course of its business to amounts

owed in respect of any Receivable, and net proceeds of sale or other disposition of repossessed goods or other collateral or property of the Obligor in respect of Receivables or any other parties directly or indirectly liable for payment of such Receivables).

This Originator Assignment Certificate is made without recourse but on the terms and subject to the conditions set forth in the Transaction Documents to which the undersigned is a party. The undersigned acknowledges and agrees that the Company and its successors and assigns are accepting this Originator Assignment Certificate in reliance on the representations, warranties and covenants of the undersigned contained in the Transaction Documents to which the undersigned is a party.

THIS ORIGINATOR ASSIGNMENT CERTIFICATE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE PURCHASE AND SALE AGREEMENT AND THE INTERNAL LAWS OF THE STATE OF NEW YORK.

[signature page follows]

Exhibit C-2

IN WITNESS WHEREOF, the undersigned has caused this Originator Assignment Certificate to be duly executed and delivered by its duly authorized officer this ____ day of _____, 200__.

[ORIGINATOR]

By: _____
Name: _____
Title: _____

FORM OF JOINDER AGREEMENT

THIS JOINDER AGREEMENT, dated as of _____, 20__ (this "Agreement") is executed by _____, a corporation organized under the laws of _____ (the "Additional Seller"), with its principal place of business located at _____.

BACKGROUND:

A. Energy Services Funding Corporation (the "Buyer") and UGI Energy Services, Inc. (the "Seller") have entered into that certain Purchase and Sale Agreement, dated as of November 30, 2001 (as amended through the date hereof, and as it may be further amended from time to time, the "Purchase and Sale Agreement").

B. The Additional Seller desires to become a Seller pursuant to Section 4.3 of the Purchase and Sale Agreement.

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Additional Seller hereby agrees as follows:

SECTION 1. Definitions. Capitalized terms used in this Agreement and not otherwise defined herein shall have the meanings assigned thereto in the Purchase and Sale Agreement or in the Receivables Purchase Agreement (as defined in the Purchase and Sale Agreement).

SECTION 2. Transaction Documents. The Additional Seller hereby agrees that it shall be bound by all of the terms, conditions and provisions of, and shall be deemed to be a party to (as if it were an original signatory to), the Purchase and Sale Agreement and each of the other relevant Transaction Documents. From and after the later of the date hereof and the date that the Additional Seller has complied with all of the requirements of Section 4.3 of the Purchase and Sale Agreement, the Additional Seller shall be a Seller for all purposes of the Purchase and Sale Agreement and all other Transaction Documents. The Additional Seller hereby acknowledges that it has received copies of the Purchase and Sale Agreement and the other Transaction Documents.

SECTION 3. Representations and Warranties. The Additional Seller hereby makes all of the representations and warranties set forth in Article V (to the extent applicable) of the Purchase and Sale Agreement as of the date hereof (unless such representations or warranties relate to an earlier date, in which as of such earlier date), as if such representations and warranties were fully set forth herein. The Additional Seller hereby represents and warrants that the chief place of business and chief executive office of the Additional Seller, and the offices where the Additional Seller keeps all of its Records and Related Security is as follows:

The Additional Seller hereby represents and warrants that it is a
[CORPORATION], [LIMITED LIABILITY COMPANY] [LIMITED PARTNERSHIP] organized in
_____ and its organizational number is _____.

SECTION 4. Miscellaneous. This Agreement shall be governed by, and
construed in accordance with, the internal laws of the State of New York. This
Agreement is executed by the Additional Seller for the benefit of the Buyer, and
its assigns, and each of the foregoing parties may rely hereon. This Agreement
shall be binding upon, and shall inure to the benefit of, the Additional Seller
and its successors and permitted assigns.

[Signature Page Follows]

Exhibit D-2

IN WITNESS WHEREOF, the undersigned has caused this Agreement to be executed by its duly authorized officer as of the date and year first above written.

[NAME OF ADDITIONAL SELLER]

By: _____
Name: _____
Title: _____

Consented to
ENERGY SERVICES FUNDING CORPORATION

By: _____
Name: _____
Title: _____

PNC BANK, NATIONAL ASSOCIATION,
as Administrator

By: _____
Name: _____
Title: _____

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CONFORMED COPY

RECEIVABLES PURCHASE AGREEMENT

dated as of November 30, 2001

As amended by AMENDMENT NO.1

dated as of August 29, 2003

among

ENERGY SERVICES FUNDING CORPORATION

UGI ENERGY SERVICES, INC.

MARKET STREET FUNDING CORPORATION

and

PNC BANK, NATIONAL ASSOCIATION

This RECEIVABLES PURCHASE AGREEMENT (as amended, supplemented or otherwise modified from time to time, this "Agreement") is entered into as of November 30, 2001, as amended by Amendment No. 1, dated as of August 29, 2003, among ENERGY SERVICES FUNDING CORPORATION, a Delaware corporation, as seller (the "Seller"), UGI ENERGY SERVICES, INC., a Pennsylvania corporation ("UGI"), as initial servicer (in such capacity, together with its successors and permitted assigns in such capacity, the "Servicer"), MARKET STREET FUNDING CORPORATION, a Delaware corporation (together with its successors and permitted assigns, the "Issuer"), and PNC BANK, NATIONAL ASSOCIATION, a national banking association ("PNC"), as administrator (in such capacity, together with its successors and assigns in such capacity, the "Administrator").

PRELIMINARY STATEMENTS. Certain terms that are capitalized and used throughout this Agreement are defined in Exhibit I. References in the Exhibits hereto to the "Agreement" refer to this Agreement.

The Seller desires to sell, transfer and assign an undivided variable percentage interest in a pool of receivables, and the Issuer desires to acquire such undivided variable percentage interest, as such percentage interest shall be adjusted from time to time based upon, in part, reinvestment payments that are made by the Issuer.

In consideration of the mutual agreements, provisions and covenants contained herein, the parties hereto agree as follows:

ARTICLE I.
AMOUNTS AND TERMS OF THE PURCHASES

Section 1.1 Purchase Facility. (a) On the terms and conditions hereinafter set forth, the Issuer hereby agrees to purchase, and make reinvestments of, undivided percentage ownership interests with regard to the Purchased Interest from the Seller from time to time from December 4, 2001 to the Facility Termination Date. Under no circumstances shall the Issuer make any such purchase or reinvestment if, after giving effect to such purchase or reinvestment, the aggregate outstanding Capital of the Purchased Interest would exceed the Purchase Limit.

(b) The Seller may, upon at least 60 days' written notice to the Administrator, terminate the Purchase Facility provided in this Section in whole or, upon at least 30 days' written notice to the Administrator, from time to time, irrevocably reduce in part the unused portion of the Purchase Limit; provided, that each partial reduction shall be in the amount of at least \$5,000,000, or an integral multiple of \$1,000,000 in excess thereof, and that, unless terminated in whole, the Purchase Limit shall in no event be reduced below \$20,000,000.

Section 1.2 Making Purchases. (a) Each purchase (but not reinvestment) of undivided percentage ownership interests with regard to the Purchased Interest hereunder shall be made upon the Seller's irrevocable written notice in the form of Annex B (the "Purchase Notice") delivered to the Administrator in accordance with Section 5.2 (which notice must be received by the Administrator before 11:00 a.m., New York City time) at least (x) one Business Day before the requested purchase date in the case of a purchase of less than \$50,000,000 and (y) two Business Days before the requested purchase date in the case of a purchase of at least

\$50,000,000, which notice in each case shall specify: (A) the amount requested to be paid to the Seller (such amount, which shall not be less than \$1,000,000 and shall be in integral multiples of \$100,000, being the Capital relating to the undivided percentage ownership interest then being purchased), (B) the date of such purchase (which shall be a Business Day), and (C) the pro forma calculation of the Purchased Interest after giving effect to the increase in Capital.

(b) On the date of each purchase (but not reinvestment) of undivided percentage ownership interests with regard to the Purchased Interest hereunder, the Issuer shall, upon satisfaction of the applicable conditions set forth in Exhibit II, make available to the Seller in same day funds, at Mellon Bank, Pittsburgh, Pennsylvania, account number 016-7425, ABA# 043000261, an amount equal to the Capital relating to the undivided percentage ownership interest then being purchased as set forth in the applicable Purchase Notice.

(c) Effective on the date of each purchase pursuant to this Section and each reinvestment pursuant to Section 1.4, the Seller hereby sells and assigns to the Issuer an undivided percentage ownership interest in: (i) each Pool Receivable then existing, (ii) all Related Security with respect to such Pool Receivables, and (iii) all Collections with respect to, and other proceeds of, such Pool Receivables and Related Security.

(d) To secure all of the Seller's obligations (monetary or otherwise) under this Agreement and the other Transaction Documents to which it is a party, whether now or hereafter existing or arising, due or to become due, direct or indirect, absolute or contingent, the Seller hereby grants to the Issuer a security interest in all of the Seller's right, title and interest (including any undivided interest of the Seller) in, to and under all of the following, whether now or hereafter owned, existing or arising: (i) all Pool Receivables, (ii) all Related Security with respect to such Pool Receivables, (iii) all Collections with respect to, and other proceeds of, such Pool Receivables and Related Security, (iv) the Lock-Box Accounts (and the related lock-boxes) and all amounts on deposit therein, and all certificates and instruments, if any, from time to time evidencing such Lock-Box Accounts (and such related lock-boxes) and such amounts on deposit therein, (v) all books and records of each Receivable, and all rights, remedies, powers and privileges of the Seller in any accounts into which Collections are or may be received and all rights (but none of the obligations) of the Seller under the Purchase and Sale Agreement and (vi) all proceeds and products of, and all amounts received or receivable under any or all of, the foregoing (collectively, the "Pool Assets"). The Issuer shall have, with respect to the Pool Assets, and in addition to all the other rights and remedies available to the Issuer, all the rights and remedies of a secured party under any applicable UCC. In connection with the transfer of the undivided interest set forth in Section 1.2(c) or the grant of the security interest in the Pool Assets set forth in this Section 1.2(d), by signing this Agreement in the space provided, the Seller hereby authorizes the filing of all applicable UCC financing statements in all necessary jurisdictions.

Section 1.3 Purchased Interest Computation. The Purchased Interest shall be initially computed on the date of the initial purchase hereunder. Thereafter, until the Facility Termination Date, the Purchased Interest shall be automatically recomputed (or deemed to be recomputed) on each Business Day other than a Termination Day. From and after the occurrence of any Termination Day, the Purchased Interest shall (until the event(s) giving rise to such Termination Day are satisfied or are waived by the Administrator or the happening of the events set forth in

the next sentence) be deemed to be 100%. The Purchased Interest shall become zero when the Capital thereof and Discount thereon shall have been paid in full, all the amounts owed by the Seller and required to be deposited by the Servicer hereunder to the Issuer, the Administrator and any other Indemnified Party or Affected Person are paid in full, and the Servicer shall have received the accrued Servicing Fee thereon.

Section 1.4 Settlement Procedures. (a) The collection of the Pool Receivables shall be administered by the Servicer in accordance with this Agreement. The Seller shall provide to the Servicer on a timely basis all information needed for such administration, including notice of the occurrence of any Termination Day and current computations of the Purchased Interest.

(b) The Servicer shall, on each day on which Collections of Pool Receivables are received (or deemed received) by the Seller or the Servicer:

(i) set aside and hold in trust (and shall, at the request of the Administrator, segregate in a separate account approved by the Administrator) for the Issuer, out of the Issuer's Share of such Collections, first, an amount equal to the Discount accrued through such day for each Portion of Capital and not previously set aside, second, an amount equal to the fees set forth in the Fee Letter accrued and unpaid through such day, and third, to the extent funds are available therefor, an amount equal to the Issuer's Share of the Servicing Fee accrued through such day and not previously set aside,

(ii) subject to Section 1.4(f), if such day is not a Termination Day, remit to the Seller, on behalf of the Issuer, the remainder of the Issuer's Share of such Collections. Such remainder shall be automatically reinvested in Pool Receivables, and in the Related Security, Collections and other proceeds with respect thereto; provided, however, that if the Purchased Interest would exceed 100%, then the Servicer shall not reinvest, but shall set aside and hold in trust for the Issuer (and shall, at the request of the Administrator, segregate in a separate account approved by the Administrator) a portion of such Collections that, together with the other Collections set aside pursuant to this paragraph, shall equal the amount necessary to reduce the Purchased Interest to 100%,

(iii) if such day is a Termination Day, set aside, segregate and hold in trust (and shall, at the request of the Administrator, segregate in a separate account approved by the Administrator) for the Issuer the entire remainder of the Issuer's Share of the Collections; provided, that if amounts are set aside and held in trust on any Termination Day of the type described in clause (a) of the definition of "Termination Day" and, thereafter, the conditions set forth in Section 2 of Exhibit II are satisfied or waived by the Administrator, such previously set-aside amounts shall be reinvested in accordance with clause (ii) on the day of such subsequent satisfaction or waiver of conditions, and

(iv) release to the Seller (subject to Section 1.4(f)) for its own account any Collections in excess of: (x) amounts required to be reinvested in accordance with clause (ii) or the proviso to clause (iii) plus (y) the amounts that are required to be set aside pursuant to clause (i), the proviso to clause (ii) and clause (iii) plus (z) the Seller's Share of the Servicing Fee accrued and unpaid through such day.

(c) The Servicer shall deposit into the Administration Account (or such other account designated by the Administrator), on each Settlement Date (or solely with respect to Collections held for the Issuer pursuant to clause (f) such other date as set forth in clause (f)(iii) for such payment), Collections held for the Issuer pursuant to clause (b)(i) or (f) plus the amount of Collections then held for the Issuer pursuant to clauses (b)(ii) and (iii) of Section 1.4; provided, that if UGI or an Affiliate thereof is the Servicer, such day is not a Termination Day and the Administrator has not notified UGI (or such Affiliate) that the right to retain the portion of the Collections set aside pursuant to clause (b)(i) that represent the Issuer's Share of the Servicing Fee is revoked, UGI (or such Affiliate) may retain the portion of the Collections set aside pursuant to clause (b)(i) that represents the Issuer's Share of the Servicing Fee in payment in full of the Issuer's Share of accrued Servicing Fees so set aside. On the last day of each Settlement Period, the Administrator will notify the Servicer by facsimile of the amount of Discount accrued with respect to each Portion of Capital during such Settlement Period or portion thereof.

(d) Upon receipt of funds deposited into the Administration Account pursuant to clause (c), the Administrator shall cause such funds to be distributed as follows:

(i) if such distribution occurs on a day that is not a Termination Day and the Purchased Interest does not exceed 100%, first to the Issuer in payment in full of all accrued Discount and fees (other than Servicing Fees) with respect to each Portion of Capital, and second, if the Servicer has set aside amounts in respect of the Servicing Fee pursuant to clause (b)(i) and has not retained such amounts pursuant to clause (c), to the Servicer (payable in arrears on each Settlement Date) in payment in full of the Issuer's Share of accrued Servicing Fees so set aside, and

(ii) if such distribution occurs on a Termination Day or on a day when the Purchased Interest exceeds 100%, first to the Issuer in payment in full of all accrued Discount with respect to each Portion of Capital, second to the Issuer in payment in full of Capital (or, if such day is not a Termination Day, the amount necessary to reduce the Purchased Interest to 100%), third, to the Servicer in payment in full of all accrued Servicing Fees, and fourth, if the Capital and accrued Discount with respect to each Portion of Capital have been reduced to zero, and all accrued Servicing Fees payable to the Servicer have been paid in full, to the Issuer, the Administrator and any other Indemnified Party or Affected Person in payment in full of any other amounts owed thereto by the Seller hereunder.

After the Capital, Discount, fees payable pursuant to the Fee Letter and Servicing Fees with respect to the Purchased Interest, and any other amounts payable by the Seller and the Servicer to the Issuer, the Administrator or any other Indemnified Party or Affected Person hereunder, have been paid in full, all additional Collections with respect to the Purchased Interest shall be paid to the Seller for its own account.

(e) For the purposes of this Section 1.4:

(i) if on any day the Outstanding Balance of any Pool Receivable is reduced or adjusted as a result of any defective, rejected, returned, repossessed or foreclosed goods or services, or any revision, cancellation, allowance, rebate, discount or other adjustment

made by the Seller or any Affiliate of the Seller, or any setoff or dispute between the Seller or any Affiliate of the Seller and an Obligor, the Seller shall be deemed to have received on such day a Collection of such Pool Receivable in the amount of such reduction or adjustment;

(ii) if on any day any of the representations or warranties in Section 1(g) or (n) of Exhibit III, or Section 2, 3 or 4 of Exhibit VI is not true with respect to any Pool Receivable, the Seller shall be deemed to have received on such day a Collection of such Pool Receivable in full;

(iii) except as provided in clause (i) or (ii), or as otherwise required by applicable law or the relevant Contract, all Collections received from an Obligor of any Receivable shall be applied to the Receivables of such Obligor in the order of the age of such Receivables, starting with the oldest such Receivable, unless such Obligor designates its payment for application to specific Receivables; and

(iv) if and to the extent the Administrator or the Issuer shall be required for any reason to pay over to an Obligor (or any trustee, receiver, custodian or similar official in any Insolvency Proceeding) any amount received by it hereunder, such amount shall be deemed not to have been so received by the Administrator or the Issuer but rather to have been retained by the Seller and, accordingly, the Administrator or the Issuer, as the case may be, shall have a claim against the Seller for such amount, payable when and to the extent that any distribution from or on behalf of such Obligor is made in respect thereof.

(f) If at any time, the Seller shall wish to cause the reduction of the Capital (but not to commence the liquidation, or reduction to zero, of the entire Capital of the Purchased Interest), the Seller may do so as follows:

(i) the Seller shall give the Administrator and the Servicer written notice in the form of Annex C (A) at least one Business Day prior to the date of such reduction for any reduction of Capital less than or equal to \$20,000,000; (B) at least two Business Days prior to the date of such reduction for any reduction of Capital greater than \$20,000,000 and less than or equal to \$50,000,000; and (C) at least three Business Days prior to the date of such reduction for any reduction of Capital greater than \$50,000,000, in each case such notice shall have been received by 3:00 p.m. New York City time on such date and shall include the amount of such proposed reduction and the proposed date on which such reduction will commence;

(ii) on the proposed date of the commencement of such reduction and on each day thereafter, the Servicer shall cause Collections not to be reinvested until the amount thereof not so reinvested shall equal the desired amount of reduction; and

(iii) the Servicer shall hold such Collections in trust for the Issuer, for payment to the Administrator on (1) solely with respect to any reduction described in subsections (f)(i)(B) or (f)(i)(C) the next Weekly Settlement Date, or (2) with respect to any reduction described in subsection (f)(i)(A), such other date with at least one (1) Business Day prior

written notice to the Administrator of such payment, and the Capital shall be deemed reduced in the amount to be paid to the Administrator only when in fact finally so paid;

provided, that the amount of any such reduction shall be not less than \$1,000,000 and shall be an integral multiple of \$100,000.

Section 1.5 Fees. The Seller shall pay to the Administrator certain fees in the amounts and on the dates set forth in a fee letter, dated the date hereof, among UGI, the Seller and the Administrator (as such letter agreement may be amended, supplemented or otherwise modified from time to time, the "Fee Letter").

Section 1.6 Payments and Computations, Etc. (a) All amounts to be paid or deposited by the Seller or the Servicer hereunder shall be made without reduction for offset or counterclaim and shall be paid or deposited no later than noon (New York City time) on the day when due in same day funds to the Administration Account. All amounts received after noon (New York City time) will be deemed to have been received on the next Business Day.

(b) The Seller or the Servicer, as the case may be, shall, to the extent permitted by applicable law, pay interest on any amount not paid or deposited by the Seller or the Servicer, as the case may be, when due hereunder, at an interest rate equal to 2.0% per annum above the Base Rate, payable on demand.

(c) All computations of interest under clause (b) and all computations of Discount, fees and other amounts hereunder shall be made on the basis of a year of 360 (or 365 or 366, as applicable, with respect to Discount or other amounts calculated by reference to the Base Rate) days for the actual number of days elapsed. Whenever any payment or deposit to be made hereunder shall be due on a day other than a Business Day, such payment or deposit shall be made on the next Business Day and such extension of time shall be included in the computation of such payment or deposit.

Section 1.7 Increased Costs. (a) If the Administrator, the Issuer, any Purchaser, any other Program Support Provider or any of their respective Affiliates (each an "Affected Person") reasonably determines that the existence of or compliance with: (i) any law or regulation or any change therein or in the interpretation or application thereof by a Governmental Authority, in each case adopted, issued or occurring after the date hereof, or (ii) any request, guideline or directive from any central bank or other Governmental Authority (whether or not having the force of law) issued or occurring after the date of this Agreement, affects or would affect the amount of capital required or expected to be maintained by such Affected Person, and such Affected Person reasonably determines that the amount of such capital is increased by or based upon the existence of any commitment to make purchases of (or otherwise to maintain the investment in) Pool Receivables related to this Agreement or any related liquidity facility, credit enhancement facility and other commitments of the same type related to this Agreement, then, upon demand by such Affected Person (with a copy to the Administrator), the Seller shall promptly pay to the Administrator, for the account of such Affected Person, from time to time as specified by such Affected Person, additional amounts sufficient to compensate such Affected Person in the light of such circumstances, to the extent that such Affected Person reasonably determines such increase in capital to be allocable to the existence of any of such commitments.

A certificate as to such amounts submitted to the Seller and the Administrator by such Affected Person shall be conclusive and binding for all purposes, absent manifest error.

(b) If, due to either: (i) the introduction of or any change in or in the interpretation of any law or regulation by any Governmental Authority occurring after the date hereof or (ii) compliance with any guideline or request from any central bank or other Governmental Authority (whether or not having the force of law), there shall be any increase in the cost to any Affected Person of agreeing to purchase or purchasing, or maintaining the ownership of, the Purchased Interest in respect of which Discount is computed by reference to the Euro-Rate, then, upon demand by such Affected Person, the Seller shall promptly pay to such Affected Person, from time to time as specified by such Affected Person, additional amounts sufficient to compensate such Affected Person for such increased costs. A certificate as to such amounts submitted to the Seller and the Administrator by such Affected Person shall be conclusive and binding for all purposes, absent manifest error.

(c) If such increased costs affect the related Affected Person's portfolio of financing transactions, such Affected Person shall use reasonable averaging and attribution methods to allocate such increased costs to the transactions contemplated by this Agreement.

(d) The Administrator will make reasonable efforts to cause the interest of any Affected Party (other than the Issuer or its domestic Affiliates) that makes a claim under this Section 1.7 to be transferred to a party that is not subject to increased costs under this Section 1.7; provided that neither the Administrator nor any of its Affiliates shall be required hereunder to itself accept such transferred interest.

(e) Notwithstanding any language in this Section 1.7 to the contrary, nothing in this Section 1.7 shall be construed as requiring the Seller to make any payments attributable to or in respect of any tax of any kind whatsoever imposed upon or required to be withheld or deducted from payments to any Affected Person.

Section 1.8 Requirements of Law. If any Affected Person reasonably determines that the existence of or compliance with: (a) any law or regulation or any change therein or in the interpretation or application thereof, in each case adopted, issued or occurring after the date hereof, or (b) any request, guideline or directive from any central bank or other Governmental Authority (whether or not having the force of law) issued or occurring after the date of this Agreement:

(i) does or shall subject such Affected Person to any tax of any kind whatsoever with respect to this Agreement, any increase in the Purchased Interest or in the amount of Capital relating thereto, or does or shall change the basis of taxation of payments to such Affected Person on account of Collections, Discount or any other amounts payable hereunder (excluding taxes imposed on the overall or branch pre-tax net income of such Affected Person, and franchise taxes imposed on such Affected Person by the jurisdiction under the laws of which such Affected Person is organized or otherwise is considered doing business (unless the Affected Person would not be considered doing business in such jurisdiction, but for having entered into, or engaged in the transactions in connection

with, this Agreement or any other Transaction Document) or a political subdivision thereof,

(ii) does or shall impose, modify or hold applicable any reserve, special deposit, compulsory loan or similar requirement against assets held by, or deposits or other liabilities in or for the account of, purchases, advances or loans by, or other credit extended by, or any other acquisition of funds by, any office of such Affected Person that are not otherwise included in the determination of the Euro-Rate or the Base Rate hereunder, or

(iii) does or shall impose on such Affected Person any other condition,

and the result of any of the foregoing is: (A) to increase the cost to such Affected Person of acting as Administrator, or of agreeing to purchase or purchasing or maintaining the ownership of undivided percentage ownership interests with regard to the Purchased Interest (or interests therein) or any Portion of Capital, or (B) to reduce any amount receivable hereunder (whether directly or indirectly), then, in any such case, without duplication to any amounts paid or payable pursuant to Section 1.7 or Section 3.1 upon demand by such Affected Person, the Seller shall promptly pay to such Affected Person additional amounts necessary to compensate such Affected Person for such additional cost or reduced amount receivable. All such amounts shall be payable as incurred. A certificate from such Affected Person to the Seller and the Administrator certifying, in reasonably specific detail, the basis for, calculation of, and amount of such additional costs or reduced amount receivable shall be conclusive and binding for all purposes, absent manifest error; provided, however, that no Affected Person shall be required to disclose any confidential or tax planning information in any such certificate.

Section 1.9 Inability to Determine Euro-Rate. (a) If the Administrator determines before the first day of any Settlement Period (which determination shall be final and conclusive) that, by reason of circumstances affecting the interbank eurodollar market generally, deposits in dollars (in the relevant amounts for such Settlement Period) are not being offered to banks in the interbank eurodollar market for such Settlement Period, or adequate means do not exist for ascertaining the Euro-Rate for such Settlement Period, then the Administrator shall give notice thereof to the Seller. Thereafter, until the Administrator notifies the Seller that the circumstances giving rise to such suspension no longer exist, (i) no Portion of Capital shall be funded at the Alternate Rate determined by reference to the Euro-Rate and (ii) the Discount for any outstanding Portions of Capital then funded at the Alternate Rate determined by reference to the Euro-Rate shall, on the last day of the then current Settlement Period, be converted to the Alternate Rate determined by reference to the Base Rate.

(b) If, on or before the first day of any Settlement Period, the Administrator shall have been notified by any Purchaser that such Purchaser has determined (which determination shall be final and conclusive) that any enactment, promulgation or adoption of or any change in any applicable law, rule or regulation, or any change in the interpretation or administration thereof by a Governmental Authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by such Purchaser with any guideline, request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency shall make it unlawful or impossible for such Purchaser to fund or maintain any Portion

of Capital at the Alternate Rate and based upon the Euro-Rate, the Administrator shall notify the Seller thereof. Upon receipt of such notice, until the Administrator notifies the Seller that the circumstances giving rise to such determination no longer apply, (i) no Portion of Capital shall be funded at the Alternate Rate determined by reference to the Euro-Rate and (ii) the Discount for any outstanding Portions of Capital then funded at the Alternate Rate determined by reference to the Euro-Rate shall be converted to the Alternate Rate determined by reference to the Base Rate either (A) on the last day of the then current Settlement Period if such Purchaser may lawfully continue to maintain such Portion of Capital at the Alternate Rate determined by reference to the Euro-Rate to such day, or (B) immediately, if such Purchaser may not lawfully continue to maintain such Portion of Capital at the Alternate Rate determined by reference to the Euro-Rate to such day.

ARTICLE II.
REPRESENTATIONS AND WARRANTIES; COVENANTS;
TERMINATION EVENTS

Section 2.1 Representations and Warranties; Covenants. Each of the Seller, UGI and the Servicer hereby makes the representations and warranties, and hereby agrees to perform and observe the covenants, applicable to it set forth in Exhibits III, IV and VI, respectively.

Section 2.2 Termination Events. If any of the Termination Events set forth in Exhibit V shall occur, the Administrator may, by notice to the Seller, declare the Facility Termination Date to have occurred (in which case the Facility Termination Date shall be deemed to have occurred); provided, that automatically upon the occurrence of any event (without any requirement for the passage of time or the giving of notice) described in paragraph (f) of Exhibit V, the Facility Termination Date shall occur. Upon any such declaration, occurrence or deemed occurrence of the Facility Termination Date, the Issuer and the Administrator shall have, in addition to the rights and remedies that they may have under this Agreement, all other rights and remedies provided after default under the New York UCC and under other applicable law, which rights and remedies shall be cumulative.

ARTICLE III.
INDEMNIFICATION

Section 3.1 Indemnities by the Seller. Without limiting any other rights that the Administrator, the Issuer, any Program Support Provider or any of their respective Affiliates, employees, officers, directors, agents, counsel, successors, transferees or assigns (each, an "Indemnified Party") may have hereunder or under applicable law, the Seller hereby agrees to indemnify each Indemnified Party from and against any and all claims, damages, expenses, costs, losses and liabilities (including Attorney Costs) (all of the foregoing being collectively referred to as "Indemnified Amounts") incurred by any Indemnified Party arising out of or resulting from this Agreement (whether directly or indirectly), the use of proceeds of purchases or reinvestments, the ownership of the Purchased Interest, or any interest therein, or in respect of any Receivable, Related Security or Contract, excluding, however: (a) Indemnified Amounts to the extent resulting from gross negligence or willful misconduct on the part of such Indemnified Party or its employees, officers, directors, agents or counsel, (b) recourse with respect to any Receivable to the extent that such Receivable is uncollectible on account of insolvency,

bankruptcy or lack of creditworthiness of the related Obligor (except as otherwise specifically provided in this Agreement), or (c) any overall net income taxes or franchise taxes imposed on such Indemnified Party by the jurisdiction under the laws of which such Indemnified Party is organized or otherwise is considered doing business (unless the Indemnified Party would not be considered doing business in such jurisdiction, but for having entered into, or engaged in the transactions in connection with, this Agreement or any other Transaction Document) or any political subdivision thereof. Without limiting or being limited by the foregoing, and subject to the exclusions set forth in the preceding sentence, the Seller shall pay on demand (which demand shall be accompanied by documentation of the Indemnified Amounts, in reasonable detail) to each Indemnified Party any and all amounts necessary to indemnify such Indemnified Party from and against any and all Indemnified Amounts relating to or resulting from any of the following:

(i) the failure of any Receivable included in the calculation of the Net Receivables Pool Balance as an Eligible Receivable to be an Eligible Receivable, the failure of any information contained in an Information Package to be true and correct, or the failure of any other information provided to the Issuer or the Administrator with respect to Receivables or this Agreement to be true and correct,

(ii) the failure of any representation, warranty or statement made or deemed made by the Seller (or any of its officers) under or in connection with this Agreement to have been true and correct as of the date made or deemed made (pursuant to paragraph 2(b) of Exhibit II hereof) in all respects when made,

(iii) the failure by the Seller to comply with any applicable law, rule or regulation with respect to any Pool Receivable or the related Contract, or the failure of any Pool Receivable or the related Contract to conform to any such applicable law, rule or regulation,

(iv) the failure to vest in the Issuer a valid and enforceable: (A) perfected undivided percentage ownership interest, to the extent of the Purchased Interest, in the Receivables in, or purporting to be in, the Receivables Pool and the other Pool Assets, or (B) first priority perfected security interest in the Pool Assets, in each case, free and clear of any Adverse Claim,

(v) the failure to have filed, or any delay in filing, financing statements or other similar instruments or documents under the UCC of any applicable jurisdiction or other applicable laws with respect to any Receivables in, or purporting to be in, the Receivables Pool and the other Pool Assets, whether at the time of any purchase or reinvestment or at any subsequent time,

(vi) any dispute, claim, offset or defense (other than discharge in bankruptcy of the Obligor) of the Obligor to the payment of any Receivable in, or purporting to be in, the Receivables Pool (including a defense based on such Receivable or the related Contract not being a legal, valid and binding obligation of such Obligor enforceable against it in accordance with its terms), or any other claim resulting from the sale of the goods or services related to such Receivable or the furnishing or failure to furnish such goods or services or relating to collection activities with respect to such Receivable (if

such collection activities were performed by the Seller or any of its Affiliates acting as Servicer or by any agent or independent contractor retained by the Seller or any of its Affiliates),

(vii) any failure of the Seller (or any of its Affiliates acting as the Servicer) to perform its duties or obligations in accordance with the provisions hereof or under the Contracts,

(viii) any products liability or other claim, investigation, litigation or proceeding arising out of or in connection with merchandise, insurance or services that are the subject of any Contract,

(ix) the commingling of Collections at any time with other funds,

(x) the use of proceeds of purchases or reinvestments by the Seller,
or

(xi) any reduction in Capital as a result of the distribution of Collections pursuant to Section 1.4(d), if all or a portion of such distributions shall thereafter be rescinded or otherwise must be returned for any reason.

Section 3.2 Indemnities by the Servicer. Without limiting any other rights that the Administrator, the Issuer or any other Indemnified Party may have hereunder or under applicable law, the Servicer hereby agrees to indemnify each Indemnified Party from and against any and all Indemnified Amounts incurred by any Indemnified Party arising out of or resulting from (whether directly or indirectly): (a) the failure of any information contained in an Information Package to be true and correct, or the failure of any other information provided to the Issuer or the Administrator by, or on behalf of, the Servicer to be true and correct, (b) the failure of any representation, warranty or statement made or deemed made by the Servicer (or any of its officers) under or in connection with this Agreement to have been true and correct as of the date made or deemed made (with respect to any Information Package) in all respects when made, (c) the failure by the Servicer to comply with any applicable law, rule or regulation with respect to any Pool Receivable or the related Contract, (d) any dispute, claim, offset or defense (other than as a result of a discharge in bankruptcy) of the Obligor to the payment of any Receivable in, or purporting to be in, the Receivables Pool resulting from or related to the collection activities with respect to such Receivable, or (e) any failure of the Servicer to perform its duties or obligations in accordance with the provisions hereof or any other Transaction Document to which it is a party, (f) the failure to have filed, or any delay in filing, financing statements or other similar instruments or documents under the UCC of any applicable jurisdiction or other applicable laws with respect to any Receivables, in or purporting to be in the Receivables Pool and any other Pool Assets, whether at the time of any purchase or reinvestment or at any subsequent time, or (g) any commingling by the Servicer of Collections at any time with other funds.

Section 3.3 Notice of Claims. Promptly after the receipt by an Indemnified Party of a notice of the commencement of any action, suit, proceeding, investigation or claim against such Indemnified Party as to which it proposes to demand indemnification from the Seller or Servicer (each, as applicable, an "Indemnifying Party") pursuant to Section 3.1 or 3.2, as applicable, such Indemnified Party shall notify the applicable Indemnifying Party in writing of the

commencement thereof; provided that the failure so to notify such Indemnifying Party shall not relieve such Indemnifying Party from any liability which such Indemnifying Party may have to such Indemnified Party pursuant to Section 3.1 or 3.2 unless to the extent that such failure results in the forfeiture by any such Indemnifying Party of substantive rights or defenses.

ARTICLE IV.
ADMINISTRATION AND COLLECTIONS

Section 4.1 Appointment of the Servicer. (a) The servicing, administering and collection of the Pool Receivables shall be conducted by the Person so designated from time to time as the Servicer in accordance with this Section. Until and unless the Administrator gives notice to UGI upon the occurrence of a Termination Event (in accordance with this Section) of the designation of a new Servicer, UGI is hereby designated as, and hereby agrees to perform the duties and obligations of, the Servicer pursuant to the terms hereof. Upon the occurrence of a Termination Event, the Administrator may designate as Servicer any Person (including itself) to succeed UGI or any successor Servicer, on the condition in each case that any such Person so designated shall agree to perform the duties and obligations of the Servicer pursuant to the terms hereof.

(b) Upon the designation of a successor Servicer as set forth in clause (a), UGI agrees that it will terminate its activities as Servicer hereunder in a manner that the Administrator determines will facilitate the transition of the performance of such activities to the new Servicer, and UGI shall cooperate with and assist such new Servicer. Such cooperation shall include reasonable access to and transfer of related records and use by the new Servicer of all licenses (or the obtaining of new licenses), hardware or software necessary or desirable to collect the Pool Receivables and the Related Security.

(c) UGI acknowledges that, in making their decision to execute and deliver this Agreement, the Administrator and the Issuer have relied on UGI's agreement to act as Servicer hereunder. Accordingly, UGI agrees that it will not voluntarily resign as Servicer.

(d) The Servicer may delegate its duties and obligations hereunder to any subservicer (each a "Sub-Servicer"); provided, that, in each such delegation: (i) such Sub-Servicer shall agree in writing to perform the duties and obligations of the Servicer pursuant to the terms hereof, (ii) the Servicer shall remain primarily liable for the performance of the duties and obligations so delegated, (iii) the Seller, the Administrator and the Issuer shall have the right to look solely to the Servicer for performance, and (iv) the terms of any agreement with any Sub-Servicer shall provide that the Administrator may terminate such agreement upon the termination of the Servicer hereunder by giving notice of its desire to terminate such agreement to the Servicer (and the Servicer shall provide appropriate notice to each such Sub-Servicer); provided, however, that if any such delegation is to any Person other than the Originator, the Administrator shall have consented in writing in advance to such delegation; provided, further, that the requirements set forth in clauses (i) and (iv) of the first proviso shall not apply to any Sub-Servicer that is a utility providing billing and collection services to the Servicer where amounts owed on the Receivables are included in the invoice that such utility sends to its customers.

Section 4.2 Duties of the Servicer. (a) The Servicer shall take or cause to be taken all such action as may be reasonably necessary or advisable to administer and collect each Pool

Receivable from time to time, all in accordance with this Agreement and all applicable laws, rules and regulations, with reasonable care and diligence, and in accordance with the Credit and Collection Policies. The Servicer shall set aside, for the accounts of the Seller and the Issuer, the amount of the Collections to which each is entitled in accordance with Article I. The Servicer may, in accordance with the applicable Credit and Collection Policy, take such action as the Servicer may reasonably determine to be appropriate to maximize Collections thereof or reflect adjustments required under applicable laws, rules or regulations or the applicable Contract; provided, however, that: for the purposes of this Agreement, (i) such action shall not change the number of days such Pool Receivable has remained unpaid from the date of the original due date related to such Pool Receivable, (ii) such action shall not alter the status of such Pool Receivable as a Delinquent Receivable or a Defaulted Receivable or limit the rights of the Issuer or the Administrator under this Agreement and (iii) if a Termination Event has occurred and is continuing and UGI or an Affiliate thereof is serving as the Servicer, UGI or such Affiliate may take such action only upon the prior approval of the Administrator. The Seller shall deliver to the Servicer and the Servicer shall hold for the benefit of the Seller and the Administrator (individually and for the benefit of the Issuer), in accordance with their respective interests, all records and documents (including computer tapes or disks) with respect to each Pool Receivable. Notwithstanding anything to the contrary contained herein, the Administrator may direct the Servicer (whether the Servicer is UGI or any other Person) to commence or settle any legal action to enforce collection of any Pool Receivable or to foreclose upon or repossess any Related Security; provided, however, that no such direction may be given unless either: (A) a Termination Event has occurred or (B) the Administrator believes in good faith that the failure to commence, settle or effect such legal action, foreclosure or repossession could adversely affect Receivables constituting a material portion of the Pool Receivables.

(b) The Servicer shall, as soon as practicable following actual receipt of collected funds, turn over to the Seller (or to the Originator in the case of payment due to a Reseller) the collections of any indebtedness that is not a Pool Receivable, less, if UGI or an Affiliate thereof is not the Servicer, all reasonable and appropriate out-of-pocket costs and expenses of such Servicer of servicing, collecting and administering such collections. The Servicer, if other than UGI or an Affiliate thereof, shall, as soon as practicable upon demand, deliver to the Seller all records in its possession that evidence or relate to any indebtedness that is not a Pool Receivable, and copies of records in its possession that evidence or relate to any indebtedness that is a Pool Receivable.

(c) The Servicer's obligations hereunder shall terminate on the later of: (i) the Facility Termination Date and (ii) the date on which all amounts required to be paid to the Issuer, the Administrator and any other Indemnified Party or Affected Person hereunder shall have been paid in full.

After such termination, if UGI or an Affiliate thereof was not the Servicer on the date of such termination, the Servicer shall promptly deliver to the Seller all books, records and related materials that the Seller previously provided to the Servicer, or that have been obtained by the Servicer, in connection with this Agreement.

Section 4.3 Lock-Box Arrangements. Within 30 days of the initial purchase hereunder, the Seller shall enter into Lock-Box Agreements with all of the Lock-Box Banks and deliver

original counterparts thereof to the Administrator. Upon the occurrence of and continuance of a Termination Event, the Administrator may at any time thereafter give notice to each Lock-Box Bank that the Administrator is exercising its rights under the Lock-Box Agreements to do any or all of the following: (a) to have the exclusive ownership and control of the Lock-Box Accounts (and the related lock-boxes) transferred to the Administrator and to exercise exclusive dominion and control over the funds deposited therein, (b) to have the proceeds that are sent to the respective Lock-Box Accounts (and the respective related lock-boxes) redirected pursuant to the Administrator's instructions rather than deposited in the applicable Lock-Box Account (or sent to the applicable related lock-box), and (c) to take any or all other actions permitted under the applicable Lock-Box Agreement. The Seller hereby agrees that if the Administrator at any time takes any action set forth in the preceding sentence, the Administrator shall have exclusive control of the proceeds (including Collections) of all Pool Receivables and the Seller hereby further agrees to take any other action that the Administrator may reasonably request to transfer such control. Any proceeds of Pool Receivables received by the Seller or the Servicer thereafter shall be sent immediately to the Administrator. The parties hereto hereby acknowledge that if at any time the Administrator takes control of any Lock-Box Account (and any such related lock-box), the Administrator shall not have any rights to the funds therein in excess of the unpaid amounts due to the Administrator, the Issuer or any other Person hereunder, and the Administrator shall distribute or cause to be distributed such funds in accordance with Section 4.2(b) and Article I (in each case as if such funds were held by the Servicer thereunder).

Section 4.4 Enforcement Rights. (a) At any time following the occurrence and continuance of a Termination Event:

(i) the Administrator may direct the Obligors that payment of all amounts payable under any Pool Receivable is to be made directly to the Administrator or its designee,

(ii) the Administrator may instruct the Seller or the Servicer to give notice of the Issuer's interest in Pool Receivables to each Obligor, which notice shall direct that payments be made directly to the Administrator or its designee, and the Seller or the Servicer, as the case may be, shall give such notice at the expense of the Seller or the Servicer, as the case may be; provided, that if the Seller or the Servicer, as the case may be, fails to so notify each Obligor within a reasonable time after said instruction (in no event not later than 10 days thereafter), the Administrator (at the Seller's or the Servicer's, as the case may be, expense) may so notify the Obligors, and

(iii) the Administrator may request the Servicer to, and upon such request the Servicer shall: (A) assemble all of the records in the Servicer's possession or under its control necessary or desirable to collect the Pool Receivables and the Related Security, and transfer or license (or obtain new licenses) to a successor Servicer the use of all software in the Servicer's possession or under its control necessary or desirable to collect the Pool Receivables and the Related Security, and make the same available to the Administrator or its designee at a place selected by the Administrator to the extent permissible under such agreements, and (B) segregate all cash, checks and other instruments received by it from time to time constituting Collections in a manner reasonably acceptable to the Administrator and, promptly upon receipt, remit all such

cash, checks and instruments, duly endorsed or with duly executed instruments of transfer, to the Administrator or its designee.

(b) The Seller hereby authorizes the Administrator, and irrevocably appoints the Administrator as its attorney-in-fact with full power of substitution and with full authority in the place and stead of the Seller, which appointment is coupled with an interest, upon the occurrence and continuation of a Termination Event to take any and all steps in the name of the Seller and on behalf of the Seller necessary or desirable, in the determination of the Administrator, to collect any and all amounts or portions thereof due under any and all Pool Assets, including endorsing the name of the Seller on checks and other instruments representing Collections and enforcing such Pool Assets. Notwithstanding anything to the contrary contained in this subsection, none of the powers conferred upon such attorney-in-fact pursuant to the preceding sentence shall subject such attorney-in-fact to any liability if any action taken by it shall prove to be inadequate or invalid, nor shall they confer any obligations upon such attorney-in-fact in any manner whatsoever; provided, however, that the Administrator shall not be relieved of any liability it might otherwise have to any party hereunder for its own gross negligence or willful misconduct.

Section 4.5 Responsibilities of the Seller. (a) Anything herein to the contrary notwithstanding, the Seller shall: (i) perform all of its obligations, if any, under the Contracts related to the Pool Receivables to the same extent as if interests in such Pool Receivables had not been transferred hereunder, and the exercise by the Administrator or the Issuer of their respective rights hereunder shall not relieve the Seller from such obligations, and (ii) pay when due any taxes, including any sales taxes payable in connection with the Pool Receivables and their creation and satisfaction. The Administrator and the Issuer shall not have any obligation or liability with respect to any Pool Asset, nor shall either of them be obligated to perform any of the obligations of the Seller, UGI or the Originator thereunder.

(b) UGI hereby irrevocably agrees that if at any time it shall cease to be the Servicer hereunder, it shall act (if the then-current Servicer so requests) as the data-processing agent of the Servicer and, in such capacity, UGI shall conduct the data-processing functions of the administration of the Receivables and the Collections thereon in substantially the same way that UGI conducted such data-processing functions while it acted as the Servicer.

Section 4.6 Servicing Fee. (a) Subject to clause (b), the Servicer shall be paid a fee equal to 0.50% per annum (the "Servicing Fee Rate") of the daily average aggregate Outstanding Balance of the Pool Receivables. The Issuer's Share of such fee shall be paid through the distributions contemplated by Section 1.4(d), and the Seller's Share of such fee shall be paid by the Seller on each Settlement Date.

(b) If the Servicer ceases to be UGI or an Affiliate thereof, the servicing fee shall be the greater of: (i) the amount calculated pursuant to clause (a), and (ii) an alternative amount specified by the successor Servicer not to exceed 110% of the aggregate reasonable costs and expenses incurred by such successor Servicer in connection with the performance of its obligations as Servicer.

ARTICLE V.
MISCELLANEOUS

Section 5.1 Amendments, Etc. No amendment or waiver of any provision of this Agreement or any other Transaction Document, or consent to any departure by the Seller or the Servicer therefrom, shall be effective unless in a writing signed by the Administrator, and, in the case of any amendment, by the other parties thereto; and then such amendment, waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. No failure on the part of the Issuer or the Administrator to exercise, and no delay in exercising any right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right.

Section 5.2 Notices, Etc. (a) All notices and other communications provided for hereunder shall, unless otherwise stated herein, be in writing (including facsimile communication) and shall be personally delivered or sent by certified mail, postage prepaid, via nationally recognized courier or by facsimile, to the intended party at the mailing address or facsimile number of such party set forth under its name on the signature pages hereof or at such other address or facsimile number as shall be designated by such party in a written notice to the other parties hereto. All such notices and communications shall be effective (i) if personally delivered, when received, (ii) if sent by certified mail three (3) Business Days after having been deposited in the mail, postage prepaid, (iii) if via nationally recognized courier for delivery the next Business Day, and (iv) if transmitted by facsimile, when sent, receipt confirmed by telephone or electronic means (and shall be followed by a hard copy sent by first class mail).

Section 5.3 Assignability. (a) This Agreement and the Issuer's rights and obligations herein (including ownership of the Purchased Interest or an interest therein) shall be assignable, in whole or in part, by the Issuer and its successors and assigns with the prior written consent of the Seller; provided, however, that such consent shall not be unreasonably withheld; and provided further, that no such consent shall be required if the assignment is made to PNC, any Affiliate of PNC (other than a director or officer of PNC), any Purchaser or other Program Support Provider, or any Person that is (i) in the business of issuing Notes and (ii) administered by PNC or any Affiliate of PNC. Each assignor may, in connection with the assignment, disclose to the applicable assignee (that shall have agreed to be bound by Section 5.6) any information relating to the Servicer, the Seller or the Pool Receivables furnished to such assignor by or on behalf of the Servicer, the Seller, the Issuer or the Administrator. The Administrator shall give prior written notice of any assignment of the Issuer's rights and obligations (including ownership of the Purchased Interest to any Person other than a Program Support Provider).

(b) The Issuer may at any time grant to one or more banks or other institutions (each a "Purchaser") party to the Liquidity Agreement, or to any other Program Support Provider, participating interests in the Purchased Interest; provided, however, that in the case of any such grant to PNC or any Affiliate of PNC, the Seller shall have approved such Purchaser at the time such Purchaser became a party to the Liquidity Agreement (such approval to not be unreasonably withheld). In the event of any such grant by the Issuer of a participating interest to a Purchaser or other Program Support Provider, the Issuer shall remain responsible for the performance of its

obligations hereunder. The Seller agrees that each Purchaser or other Program Support Provider shall be entitled to the benefits of Sections 1.7 and 1.8.

(c) This Agreement and the rights and obligations of the Administrator hereunder shall be assignable, in whole or in part, by the Administrator and its successors and assigns; provided, that unless: (i) such assignment is to an Affiliate of PNC, (ii) it becomes unlawful for PNC to serve as the Administrator or (iii) a Termination Event exists, the Seller has consented to such assignment, which consent shall not be unreasonably withheld.

(d) Except as provided in Section 4.1(d), none of the Seller, UGI or the Servicer may assign its rights or delegate its obligations hereunder or any interest herein without the prior written consent of the Administrator.

(e) Without limiting any other rights that may be available under applicable law, the rights of the Issuer may be enforced through it or by its agents.

(f) Each of (A) the Issuer, (B) its successors and assigns, (C) any Program Support Provider, (D) any assignee under Section 5.3(a) and (E) any recipient of a participating interest under Section 5.3(b) that, in each case, is not a United States Person (as such term is defined in Section 7701(a)(30) of the United States Internal Revenue Code of 1986, as amended) for United States federal tax purposes shall deliver to the Seller, with a copy to the Servicer, a United States Internal Revenue Service Form W-8BEN or W-8ECI (or successor form) properly completed and certifying in each case that the party delivering such form is entitled to a complete exemption from withholding or deduction for or on account of any United States federal income taxes with respect to amounts derived, directly or indirectly, in connection with this Agreement. The Issuer, if required to deliver such form, shall deliver such form on the Closing Date. A party described in any of the foregoing clauses (B) through (E) shall deliver such form concurrently with such party becoming described in any of such clauses. Each party obligated to deliver a form under the first sentence of this Section 5.3(f) shall, to the extent permitted by law, further deliver to the Seller, with a copy to the Servicer, a United States Internal Revenue Service Form W-8BEN or W-8ECI (or successor form) on or before the date that any such form expires or becomes obsolete or after the occurrence of any event requiring a change in the most recent form previously delivered by such party to the Seller, properly completed and certifying in each case that the party delivering such form is entitled to a complete exemption from withholding or deduction for or on account of any United States federal income taxes with respect to amounts derived, directly or indirectly, in connection with this Agreement. The Seller shall not be required to pay to or on behalf of any party described in the foregoing clauses (A) through (E) any additional amount under Section 1.8 or Section 3.1 attributable to any tax, duty, levy or other charge of any kind whatsoever imposed upon or required to be withheld or deducted from payments to any such party if such party shall have failed to satisfy the requirements of this Section 5.3(f); provided that nothing in this Section 5.3(f) shall relieve the Seller of any obligation to pay additional amounts under Section 1.8 or Section 3.1 if, as a result of a change in treaty, law or regulation or the interpretation or application thereof, adopted, issued or occurring after the satisfaction by such party of such requirements, such party is no longer properly entitled to deliver Form W-8BEN or Form W-8ECI (or successor forms) certifying that such party is entitled to a complete exemption from withholding or deduction for or on account

of any United States federal income taxes with respect to amounts derived, directly or indirectly, in connection with this Agreement.

Section 5.4 Costs, Expenses and Taxes. (a) In addition to the rights of indemnification granted under Section 3.1, the Seller agrees to pay on demand (which demand shall be accompanied by documentation thereof in reasonable detail) all reasonable costs and expenses in connection with the preparation, execution, delivery and administration (including periodic internal audits by the Administrator of Pool Receivables, provided that the Seller shall not pay for more than one audit per year unless a Termination Event has occurred and is continuing) of this Agreement, the other Transaction Documents and the other documents and agreements to be delivered hereunder (and all reasonable costs and expenses in connection with any amendment, waiver or modification of any thereof), including: (i) Attorney Costs for the Administrator, the Issuer and their respective Affiliates and agents with respect thereto and with respect to advising the Administrator, the Issuer and their respective Affiliates and agents as to their rights and remedies under this Agreement and the other Transaction Documents, and (ii) all reasonable costs and expenses (including Attorney Costs), if any, of the Administrator, the Issuer and their respective Affiliates and agents in connection with the enforcement of this Agreement and the other Transaction Documents.

(b) In addition, the Seller shall pay on demand any and all stamp and other similar taxes and fees payable in connection with the execution, delivery, filing and recording of this Agreement or the other documents or agreements to be delivered hereunder, and agrees to save each Indemnified Party harmless from and against any liabilities with respect to or resulting from any delay in paying or omission to pay such taxes and fees.

Section 5.5 No Proceedings; Limitation on Payments. Each of the Seller, UGI, the Servicer, the Administrator, each assignee of the Purchased Interest or any interest therein, and each Person that enters into a commitment to purchase the Purchased Interest or interests therein, hereby covenants and agrees that it will not institute against, or join any other Person in instituting against, the Issuer any bankruptcy, reorganization, similar arrangement, insolvency or liquidation proceeding, or other proceeding under any federal or state bankruptcy or similar law, for one year and one day after the latest maturing Note issued by the Issuer is paid in full. The provision of this Section 5.5 shall survive any termination of this Agreement.

Section 5.6 Confidentiality. Unless otherwise required by applicable law, each of the Seller and the Servicer agrees to maintain the confidentiality of the terms of this Agreement and the other Transaction Documents (and all drafts thereof) in communications with third parties and otherwise; provided, that this Agreement may be disclosed to: (a) third parties to the extent such disclosure is made pursuant to a written agreement of confidentiality in form and substance reasonably satisfactory to the Administrator, and (b) the Seller's legal counsel and auditors if they agree to hold it confidential. Unless otherwise required by applicable law, each of the Administrator and the Issuer agrees to maintain the confidentiality of non-public information regarding UGI and its Subsidiaries and Affiliates; provided, that such information may be disclosed to: (i) third parties to the extent such disclosure is made pursuant to a written agreement of confidentiality in form and substance reasonably satisfactory to UGI, (ii) legal counsel and auditors of the Issuer or the Administrator if they agree to hold it confidential, (iii) the rating agencies rating the Notes, (iv) any Program Support Provider or potential Program

Support Provider (if they agree to hold it confidential), (v) any placement agent placing the Notes and (vi) any regulatory authorities having jurisdiction over PNC, the Issuer, any Program Support Provider or any Purchaser.

Section 5.7 GOVERNING LAW AND JURISDICTION. (a) THIS AGREEMENT SHALL BE DEEMED TO BE A CONTRACT MADE UNDER AND GOVERNED BY THE INTERNAL LAWS OF THE STATE OF NEW YORK (INCLUDING FOR SUCH PURPOSE SECTION 5-1401 AND 5-1402 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK) EXCEPT TO THE EXTENT THAT THE VALIDITY OR PERFECTION OF A SECURITY INTEREST OR REMEDIES HEREUNDER, IN RESPECT OF ANY PARTICULAR COLLATERAL ARE GOVERNED BY THE LAWS OF A JURISDICTION OTHER THAN THE STATE OF NEW YORK.

(b) ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT MAY BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK OR OF THE UNITED STATES FEDERAL COURT FOR THE SOUTHERN DISTRICT OF NEW YORK; AND, BY EXECUTION AND DELIVERY OF THIS AGREEMENT, EACH OF THE PARTIES HERETO CONSENTS, FOR ITSELF AND IN RESPECT OF ITS PROPERTY, TO THE NON-EXCLUSIVE JURISDICTION OF THOSE COURTS. EACH OF THE PARTIES HERETO IRREVOCABLY WAIVES, TO THE MAXIMUM EXTENT PERMITTED BY LAW, ANY OBJECTION, INCLUDING ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS, THAT IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY ACTION OR PROCEEDING IN SUCH JURISDICTION IN RESPECT OF THIS AGREEMENT OR ANY DOCUMENT RELATED HERETO. EACH OF THE PARTIES HERETO WAIVES PERSONAL SERVICE OF ANY SUMMONS, COMPLAINT OR OTHER PROCESS, WHICH SERVICE MAY BE MADE BY ANY OTHER MEANS PERMITTED BY NEW YORK LAW.

Section 5.8 Execution in Counterparts. This Agreement may be executed in any number of counterparts, each of which, when so executed, shall be deemed to be an original, and all of which, when taken together, shall constitute one and the same agreement.

Section 5.9 Survival of Termination. The provisions of Sections 1.7, 1.8, 3.1, 3.2, 5.4, 5.5, 5.6, 5.7, 5.10 and 5.13 shall survive any termination of this Agreement.

Section 5.10 WAIVER OF JURY TRIAL. EACH OF THE PARTIES HERETO WAIVES THEIR RESPECTIVE RIGHTS TO A TRIAL BY JURY OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY IN ANY ACTION, PROCEEDING OR OTHER LITIGATION OF ANY TYPE BROUGHT BY ANY OF THE PARTIES AGAINST ANY OTHER PARTY OR PARTIES, WHETHER WITH RESPECT TO CONTRACT CLAIMS, TORT CLAIMS OR OTHERWISE. EACH OF THE PARTIES HERETO AGREES THAT ANY SUCH CLAIM OR CAUSE OF ACTION SHALL BE TRIED BY A COURT TRIAL WITHOUT A JURY. WITHOUT LIMITING THE FOREGOING, EACH OF THE PARTIES HERETO FURTHER AGREES THAT ITS RESPECTIVE RIGHT TO A TRIAL BY JURY IS WAIVED BY OPERATION OF THIS SECTION AS TO ANY ACTION, COUNTERCLAIM OR OTHER PROCEEDING THAT SEEKS, IN WHOLE OR IN

PART, TO CHALLENGE THE VALIDITY OR ENFORCEABILITY OF THIS AGREEMENT OR ANY PROVISION HEREOF. THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT.

Section 5.11 Entire Agreement. This Agreement and the other Transaction Documents embody the entire agreement and understanding between the parties hereto, and supersede all prior or contemporaneous agreements and understandings of such Persons, verbal or written, relating to the subject matter hereof and thereof, except for any prior arrangements made with respect to the payment by the Issuer of (or any indemnification for) any fees, costs or expenses payable to or incurred (or to be incurred) by or on behalf of the Seller, the Servicer and the Administrator.

Section 5.12 Headings. The captions and headings of this Agreement and any Exhibit, Schedule or Annex hereto are for convenience of reference only and shall not affect the interpretation hereof or thereof.

Section 5.13 Issuer's, Administrator's, Seller's and Servicer's Liabilities. The obligations of the Issuer, the Administrator, the Seller and the Servicer under the Transaction Documents are solely the corporate obligations of the Issuer, the Administrator, the Seller and the Servicer, respectively. No recourse shall be had for any obligation or claim arising out of or based upon any Transaction Document against any stockholder, employee, officer, director or incorporator of the Issuer, the Administrator, the Seller or the Servicer; provided, however, that this Section shall not relieve any such Person of any liability it might otherwise have for its own gross negligence or willful misconduct.

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IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

ENERGY SERVICES FUNDING CORPORATION

By: _____
Name: _____
Title: _____

Address: Energy Services Funding Corporation
460 North Gulph Road, Suite 200
King of Prussia, PA 19406-2815

Attention: Robert W. Krick
Telephone: 610-337-1000 ext. 3141
Facsimile: 610-992-3259

UGI ENERGY SERVICES, INC.

By: _____
Name: _____
Title: _____

Address: UGI Energy Services, Inc.
1100 Berkshire Boulevard, Suite 305
Wyomissing, PA 19610

Attention: Joseph L. Hartz
Telephone: 610-373-7999 ext. 106
Facsimile: 610-374-4288

MARKET STREET FUNDING CORPORATION

By: _____
Name: _____
Title: _____

Address: Market Street Funding Corporation
c/o AMACAR Group, LLC
6525 Morrison Boulevard, Suite 318
Charlotte, NC 28211

Attention: Douglas K. Johnson
Telephone: (704) 365-0569
Facsimile: (704) 365-1362

S-2 Receivables Purchase Agreement
 (UGI)

EXHIBIT I
DEFINITIONS

As used in the Agreement (including its Exhibits, Schedules and Annexes), the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined). Unless otherwise indicated, all Section, Annex, Exhibit and Schedule references in this Exhibit are to Sections of and Annexes, Exhibits and Schedules to the Agreement.

"Administration Account" means the account (account number 1002422076, ABA number 043000096) of the Issuer maintained at the office of PNC at One PNC Plaza, 249 Fifth Avenue, Pittsburgh, Pennsylvania 15222-2707, or such other account as may be so designated in writing by the Administrator to the Servicer.

"Administrator" has the meaning set forth in the preamble to the Agreement.

"Adverse Claim" means a lien, security interest or other charge or encumbrance, or any other type of preferential arrangement; it being understood that any thereof in favor of, or assigned to, the Issuer or the Administrator (for the benefit of the Issuer) shall not constitute an Adverse Claim.

"Affected Person" has the meaning set forth in Section 1.7 of the Agreement.

"Affiliate" means, as to any Person: (a) any Person that, directly or indirectly, is in control of, is controlled by or is under common control with such Person, or (b) who is a director or officer: (i) of such Person or (ii) of any Person described in clause (a), except that, with respect to the Issuer, Affiliate shall mean the holder(s) of its capital stock. For purposes of this definition, control of a Person shall mean the power, direct or indirect: (x) to vote 51% or more of the securities having ordinary voting power for the election of directors or managers of such Person, or (y) to direct or cause the direction of the management and policies of such Person, in either case whether by ownership of securities, contract, proxy or otherwise.

"Agreement" has the meaning set forth in the preamble to the Agreement.

"Alternate Rate" for any Settlement Period for any Portion of Capital of the Purchased Interest means an interest rate per annum equal to: (a) 1.25% per annum above the Euro-Rate for such Settlement Period; provided, however, that if (x) it shall become unlawful for any Purchaser or Program Support Provider to obtain funds in the London interbank eurodollar market in order to make, fund or maintain any Purchased Interest, or if such funds shall not be reasonably available to any Purchaser or Program Support Provider, or (y) there shall not be at least two Business Days prior to the commencement of an applicable Settlement Period to determine a Euro-Rate in accordance with its terms, then the "Alternate Rate" shall be equal to the Base Rate in effect for each day during the remainder of such Settlement Period or (b) if requested by the Seller the Base Rate for such Settlement Period; provided, however, that the "Alternate Rate" for any day while a Termination Event exists shall be an interest rate equal to 2.00% per annum above the Base Rate in effect on such day.

"Attorney Costs" means and includes all reasonable fees and disbursements of any law firm or other external counsel, the reasonable allocated cost of internal legal services and all reasonable disbursements of internal counsel.

"Bankruptcy Code" means the United States Bankruptcy Reform Act of 1978 (11 U.S.C. Section 101, et seq.), as amended from time to time.

"Base Rate" means, for any day, a fluctuating interest rate per annum as shall be in effect from time to time, which rate shall be at all times equal to the higher of:

(a) the rate of interest in effect for such day as publicly announced from time to time by PNC in Pittsburgh, Pennsylvania as its "prime rate." Such "prime rate" is set by PNC based upon various factors, including PNC's costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above or below such announced rate, and

(b) 0.50% per annum above the latest Federal Funds Rate.

"BBA" means the British Bankers' Association.

"Benefit Plan" means any employee benefit pension plan as defined in Section 3(2) of ERISA in respect of which the Seller, the Originator, UGI or any ERISA Affiliate is an "employer" as defined in Section 3(5) of ERISA.

"Business Day" means any day (other than a Saturday or Sunday) on which: (a) banks are not authorized or required to close in New York City, New York or Pittsburgh, Pennsylvania, and (b) if this definition of "Business Day" is utilized in connection with the Euro-Rate, dealings are carried out in the London interbank market.

"Capital" means the amount paid to the Seller in respect of the Purchased Interest by the Issuer pursuant to the Agreement, or such amount divided or combined in order to determine the Discount applicable to any Portion of Capital, in each case reduced from time to time by Collections distributed and applied on account of such Capital pursuant to Section 1.4(d) of the Agreement; provided, that if such Capital shall have been reduced by any distribution, and thereafter all or a portion of such distribution is rescinded or must otherwise be returned for any reason, such Capital shall be increased by the amount of such rescinded or returned distribution as though it had not been made.

"Change in Control" means that (a) with respect to the Seller, UGI ceases to own, directly or indirectly, 100% of the capital stock of the Seller free and clear of all Adverse Claims, (b) with respect to UGI, UGI Enterprises, Inc. shall cease to own 51% or more of the shares of outstanding voting stock of UGI on a fully diluted basis, and (c) with respect to UGI, the Performance Guarantor shall cease to beneficially own, directly or indirectly, 51% of the shares of outstanding voting stock of UGI on a fully diluted basis.

"Closing Date" means November 30, 2001.

"Collections" means, with respect to any Pool Receivable: (a) all funds that are received by the Originator, UGI, the Seller or the Servicer in payment of any amounts owed in respect of such Receivable (including purchase price, finance charges, interest and all other charges), or applied to amounts owed in respect of such Receivable (including insurance payments and net proceeds of the sale or other disposition of repossessed goods or other collateral or property of the related Obligor or any other Person directly or indirectly liable for the payment of such Pool Receivable and available to be applied thereon), (b) all amounts deemed to have been received pursuant to Section 1.4(e) of the Agreement and (c) all other proceeds of such Pool Receivable.

"Concentration Percentage" means for any: (a) Group A Obligor, 16.00%, (b) Group B Obligor, 16.00%, (c) Group C Obligor, 8.00% and (d) Group D Obligor, 4.00%.

"Concentration Reserve" means, at any time: (a) the aggregate Capital at such time multiplied by (b)(i) the Concentration Reserve Percentage, divided by (ii) 100%, minus the Concentration Reserve Percentage.

"Concentration Reserve Percentage" means, at any time, the largest of: (a) the sum of four largest Group D Obligor Percentages, (b) the sum of the two largest Group C Obligor Percentages and (c) the largest Group B Obligor Percentage or Group A Obligor Percentage.

"Consolidated Net Worth" means, with respect to any Person and as of any date of determination, total stockholders' equity of such Person and its Subsidiaries as of such date, determined in accordance with GAAP.

"Contract" means, with respect to any Receivable, any and all contracts, instruments, agreements, leases, invoices, notes or other writings pursuant to which such Receivable arises or that evidence such Receivable or under which an Obligor becomes or is obligated to make payment in respect of such Receivable.

"Contributed Receivables" has the meaning set forth in Section 2.2 of the Purchase and Sale Agreement.

"CP Rate" for any Settlement Period for any Portion of Capital means a rate calculated by the Administrator equal to: (a) the rate (or if more than one rate, the weighted average of the rates) at which Notes of the Issuer on each day during such period have been outstanding; provided, that if such rate(s) is a discount rate(s), then the CP Rate shall be the rate (or if more than one rate, the weighted average of the rates) resulting from converting such discount rate(s) to an interest-bearing equivalent rate plus (b) the commissions and charges charged by such placement agent or commercial paper dealer with respect to such Notes, expressed as a percentage of the face amount of such Notes and converted to an interest-bearing equivalent rate per annum. Notwithstanding the foregoing, the "CP Rate" for any day while a Termination Event exists shall be an interest rate equal to 2.00% above the Base Rate in effect on such day.

"Credit and Collection Policy" means, as the context may require, those receivables credit and collection policies and practices of the Originator in effect on the date of the Agreement and described in Schedule I to the Agreement, as modified in compliance with the Agreement.

"Cut-off Date" has the meaning set forth in the Purchase and Sale Agreement.

"Debt" means: (a) indebtedness for borrowed money, (b) obligations evidenced by bonds, debentures, notes or other similar instruments, (c) obligations to pay the deferred purchase price of property or services, (d) obligations as lessee under leases that shall have been or should be, in accordance with GAAP, recorded as capital leases, and (e) obligations under direct or indirect guaranties in respect of, and obligations (contingent or otherwise) to purchase or otherwise acquire, or otherwise to assure a creditor against loss in respect of, indebtedness or obligations of others of the kinds referred to in clauses (a) through (d).

"Default Ratio" means the ratio (expressed as a percentage and rounded to the nearest 1/100 of 1%, with 5/1000th of 1% rounded upward) computed as of the last day of each calendar month by dividing: (a) the aggregate Outstanding Balance of all Pool Receivables that became Defaulted Receivables during such month, by (b) the aggregate credit sales made by the Originator during the month that is three calendar months before such month.

"Defaulted Receivable" means a Receivable:

(a) as to which any payment, or part thereof, remains unpaid for more than 90 days from the original invoice date for such payment, or

(b) without duplication (i) as to which an Insolvency Proceeding shall have occurred with respect to the Obligor thereof or any other Person obligated thereon with respect thereto, or (ii) that has been written off the Seller's books as uncollectible.

The Outstanding Balance of any Defaulted Receivable shall be determined without regard to any credit memos or credit balances.

"Delinquency Ratio" means the ratio (expressed as a percentage and rounded to the nearest 1/100 of 1%, with 5/1000th of 1% rounded upward) computed as of the last day of each calendar month by dividing: (a) the aggregate Outstanding Balance of all Pool Receivables that were Delinquent Receivables on such day by, (b) the aggregate Outstanding Balance of all Pool Receivables (excluding Delinquent Receivables that have a stated maturity which is more than 60 days after the original invoice date of such Receivable) on such day.

"Delinquent Receivable" means any portion of a Receivable as to which any payment, or part thereof, remains unpaid for more than 90 days from the original invoice date for such payment. The Outstanding Balance of any Delinquent Receivable shall be determined without regard to any credit memos or credit balances and shall exclude Delinquent Receivables that have a stated maturity which is more than 60 days after the original invoice date of such Receivable.

"Dilution Horizon" means, for any calendar month, the ratio (expressed as a percentage and rounded to the nearest 1/100th of 1%, with 5/1000th of 1% rounded upward) computed as of the last day of such calendar month of: (a) the aggregate credit sales made by the Originator during the most recent calendar month and 50% of the next most recent calendar month's credit sales to (b) the Net Receivables Pool Balance at the last day of the most recent calendar month.

"Dilution Ratio" means the ratio (expressed as a percentage and rounded to the nearest 1/100th of 1%, with 5/1000th of 1% rounded upward) computed as of the last day of each calendar month by dividing: (a) the aggregate amount of payments required to be made by the Seller pursuant to Section 1.4(e)(i) of the Agreement during such calendar month, by (b) the aggregate credit sales made by the Originator during the month that is one calendar month before such month.

"Dilution Reserve" means, on any date, an amount equal to: (a) the Capital at the close of business of the Servicer on such date multiplied by (b) (i) the Dilution Reserve Percentage on such date, divided by (ii) 100% minus the Dilution Reserve Percentage on such date.

"Dilution Reserve Percentage" means on any date, the greater of (a) 5% or (b) the product of (i) the Dilution Horizon multiplied by (ii) the sum of (x) 2.0 times the average of the Dilution Ratios for the twelve most recent calendar months and (y) the Spike Factor.

"Discount" means:

(a) for the Portion of Capital for any Settlement Period to the extent the Issuer will be funding such Portion of Capital during such Settlement Period through the issuance of Notes:

$$CPR \times C \times ED/360$$

(b) for the Portion of Capital for any Settlement Period to the extent the Issuer will not be funding such Portion of Capital during such Settlement Period through the issuance of Notes:

$$AR \times C \times ED/Year + TF$$

where:

AR	=	the Alternate Rate for the Portion of Capital for such Settlement Period,
C	=	the Portion of Capital during such Settlement Period,
CPR	=	the CP Rate for the Portion of Capital for such Settlement Period,
ED	=	the actual number of days during such Settlement Period,
TF	=	the Termination Fee, if any, for the Portion of Capital for such Settlement Period, and
Year	=	if such Portion of Capital is funded based upon: (i) the Euro-Rate, 360 days, and (ii) the Base Rate, 365 or 366 days, as applicable;

provided, that no provision of the Agreement shall require the payment or permit the collection of Discount in excess of the maximum permitted by applicable law; and provided further, that

Discount for the Portion of Capital shall not be considered paid by any distribution to the extent that at any time all or a portion of such distribution is rescinded or must otherwise be returned for any reason.

"Eligible Receivable" means, at any time, a Pool Receivable:

(a) the Obligor of which is (i) a United States resident, (ii) not a government or a governmental subdivision, affiliate or agency, provided, however, if the Obligor of such Receivable is a government or a governmental subdivision, affiliate or agency, such Receivable shall satisfy the requirements of this clause (a)(ii) if the sum of the Outstanding Balance of such Receivable and the aggregate Outstanding Balance of all other Eligible Receivables of Obligor who are governments or governmental subdivisions, affiliates or agencies does not exceed \$200,000, (iii) not subject to any action of the type described in paragraph (f) of Exhibit V to the Agreement, (iv) not an Affiliate of UGI, and (iv) not a Reseller, provided, however, if the Obligor of such Receivable is a Reseller, such Receivable shall satisfy the requirements of this clause (a)(iv) if the sum of the Outstanding Balance of such Receivable and the aggregate Outstanding Balance of all other Eligible Receivables of Obligor who are Resellers does not exceed \$2,000,000,

(b) that is denominated and payable only in U.S. dollars in the United States,

(c) that does not have a stated maturity which is more than 45 days after the original invoice date of such Receivable; provided, however, that up to 10% of the aggregate Outstanding Balance of all Receivables may have a stated maturity which is more than 45 days but not more than 60 days after the original invoice date of such Receivable,

(d) that arises under a duly authorized Contract for the sale and delivery of goods and services in the ordinary course of the Originator's business,

(e) that arises under a duly authorized Contract that is in full force and effect and that is a legal, valid and binding obligation of the related Obligor, enforceable against such Obligor in accordance with its terms, subject to applicable bankruptcy, fraudulent transfer or conveyance, insolvency, reorganization, moratorium and other similar laws limiting the enforceability of creditors' rights generally, as from time to time in effect,

(f) that conforms in all material respects with all applicable laws, rulings and regulations in effect,

(g) that is not the subject of any asserted dispute, offset, hold back defense, Adverse Claim or other claim,

(h) that satisfies in all material respects all applicable requirements of the applicable Credit and Collection Policy,

(i) that has not been modified, waived or restructured since its creation, except as permitted pursuant to Section 4.2 of the Agreement,

(j) in which the Seller owns good and marketable title, free and clear of any Adverse Claims, and that arise under Contracts, the terms of which do not expressly prohibit the Seller from assigning its right to receive payment under the Contract or require any consent of the related Obligor for such assignment,

(k) for which the Issuer shall have a valid and enforceable undivided percentage ownership or security interest, to the extent of the Purchased Interest, and a valid and enforceable first priority perfected security interest therein and in the Related Security and Collections with respect thereto, in each case free and clear of any Adverse Claim,

(l) that constitutes an account as defined in the UCC, and that is not evidenced by instruments or chattel paper,

(m) that is neither a Defaulted Receivable nor a Delinquent Receivable,

(n) for which neither the Originator thereof, the Seller nor the Servicer has established any offset arrangements with the related Obligor,

(o) of an Obligor as to which Defaulted Receivables of such Obligor do not exceed 25% of the Outstanding Balance of all such Obligor's Receivables; provided, however, that amounts owing from Cooperative Industries Inc. that are more than 90 days from the original invoice date as of the Closing Date and that are being paid in accordance with a negotiated payment schedule shall not be considered Defaulted Receivables for purposes of this clause (o), and

(p) that represents amounts earned and payable by the Obligor that are not subject to the performance of additional services by the Originator thereof.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and any successor statute of similar import, together with the regulations thereunder, in each case as in effect from time to time. References to sections of ERISA also refer to any successor sections.

"ERISA Affiliate" means: (a) any corporation that is a member of the same controlled group of corporations (within the meaning of Section 414(b) of the Internal Revenue Code) as the Seller, the Originator or UGI, (b) a trade or business (whether or not incorporated) under common control (within the meaning of Section 414(c) of the Internal Revenue Code) with the Seller, the Originator or UGI, or (c) a member of the same affiliated service group (within the meaning of Section 414(m) of the Internal Revenue Code) as the Seller, the Originator, any corporation described in clause (a) or any trade or business described in clause (b).

"Euro-Rate" means with respect to any Settlement Period the interest rate per annum determined by the Administrator by dividing (the resulting quotient rounded upwards, if necessary, to the nearest 1/100th of 1% per annum) (i) the rate of interest determined by the Administrator in accordance with its usual procedures (which determination shall be conclusive absent manifest error) to be the average of the London interbank market offered rates for U.S. dollars quoted by the BBA as set forth on Dow Jones Markets Service (formerly known as Telerate) (or appropriate successor or, if the BBA or its successor ceases to provide display page

3750 (or such other display page on the Dow Jones Markets Service system as may replace display page 3750) at or about 11:00 a.m. (London time) on the Business Day which is two (2) Business Days prior to the first day of such Settlement Period for an amount comparable to the Portion of Capital to be funded at the Alternate Rate and based upon the Euro-Rate during such Settlement Period by (ii) a number equal to 1.00 minus the Euro-Rate Reserve Percentage. The Euro-Rate may also be expressed by the following formula:

$$\text{Euro-Rate} = \frac{\text{Average of London interbank offered rates quoted by BBA as shown on Dow Jones Markets Service display page 3750 or appropriate successor}}{1.00 - \text{Euro-Rate Reserve Percentage}}$$

where "Euro-Rate Reserve Percentage" means, the maximum effective percentage in effect on such day as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the reserve requirements (including without limitation, supplemental, marginal, and emergency reserve requirements) with respect to eurocurrency funding (currently referred to as "Eurocurrency Liabilities"). The Euro-Rate shall be adjusted with respect to any Portion of Capital funded at the Alternate Rate and based upon the Euro-Rate that is outstanding on the effective date of any change in the Euro-Rate Reserve Percentage as of such effective date. The Administrator shall give prompt notice to the Seller of the Euro-Rate as determined or adjusted in accordance herewith (which determination shall be conclusive absent manifest error).

"Excess Concentration" means the sum of the amounts by which the Outstanding Balance of Eligible Receivables of each Obligor then in the Receivables Pool exceeds an amount equal to: (a) the applicable Concentration Percentage for such Obligor multiplied by (b) the Outstanding Balance of all Eligible Receivables then in the Receivables Pool.

"Facility Termination Date" means the earliest to occur of: (a) August 26, 2006, (b) the date determined pursuant to Section 2.2 of the Agreement, (c) the date the Purchase Limit reduces to zero pursuant to Section 1.1(b) of the Agreement, (d) the date, after written notice from the Purchasers, that the commitments of the Purchasers terminate under the Liquidity Agreement, but the failure to give or delay in giving such notice shall not prevent or delay such termination, and (e) the Issuer shall fail to cause the amendment or modification of any Transaction Document or related opinion as required by Moody's or Standard and Poor's, and such failure shall continue for 30 days after such amendment is initially requested.

"Federal Funds Rate" means, for any day, the per annum rate set forth in the weekly statistical release designated as H.15(519), or any successor publication, published by the Federal Reserve Board (including any such successor, "H.15(519)") for such day opposite the caption "Federal Funds (Effective)." If on any relevant day such rate is not yet published in H.15(519), the rate for such day will be the rate set forth in the daily statistical release designated as the Composite 3:30 p.m. Quotations for U.S. Government Securities, or any successor publication, published by the Federal Reserve Bank of New York (including any such successor, the "Composite 3:30 p.m. Quotations") for such day under the caption "Federal Funds Effective Rate." If on any relevant day the appropriate rate is not yet published in either H.15(519) or the Composite 3:30 p.m. Quotations, the rate for such day will be the arithmetic mean as determined

by the Administrator of the rates for the last transaction in overnight Federal funds arranged before 9:00 a.m. (New York time) on that day by each of three leading brokers of Federal funds transactions in New York City selected by the Administrator.

"Federal Reserve Board" means the Board of Governors of the Federal Reserve System, or any entity succeeding to any of its principal functions.

"Fee Letter" has the meaning set forth in Section 1.5 of the Agreement.

"GAAP" means the generally accepted accounting principles and practices in the United States, consistently applied.

"Governmental Authority" means any nation or government, any state or other political subdivision thereof, any central bank (or similar monetary or regulatory authority) thereof, any body or entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, including any court, and any Person owned or controlled, through stock or capital ownership or otherwise, by any of the foregoing.

"Group A Obligor" means any Obligor with a short-term rating of at least: (a) "A-1" by Standard & Poor's, or if such Obligor does not have a short-term rating from Standard & Poor's, a rating of "A+" or better by Standard & Poor's on its long-term senior unsecured and uncredit-enhanced debt securities, and (b) "P-1" by Moody's, or if such Obligor does not have a short-term rating from Moody's, "A1" or better by Moody's on its long-term senior unsecured and uncredit-enhanced debt securities.

"Group A Obligor Percentage" means, at any time, for each Group A Obligor, the percentage equivalent of: (a) the aggregate Outstanding Balance of the Eligible Receivables of such Group A Obligor less any Excess Concentrations of such Obligor, divided by (b) the aggregate Outstanding Balance of all Eligible Receivables at such time.

"Group B Obligor" means an Obligor, not a Group A Obligor, with a short-term rating of at least: (a) "A-2" by Standard & Poor's, or if such Obligor does not have a short-term rating from Standard & Poor's, a rating of "BBB+" to "A" by Standard & Poor's on its long-term senior unsecured and uncredit-enhanced debt securities, and (b) "P-2" by Moody's, or if such Obligor does not have a short-term rating from Moody's, "Baa1" to "A2" by Moody's on its long-term senior unsecured and uncredit-enhanced debt securities.

"Group B Obligor Percentage" means, at any time, for each Group B Obligor, the percentage equivalent of: (a) the aggregate Outstanding Balance of the Eligible Receivables of such Group B Obligor less any Excess Concentrations of such Obligor, divided by (b) the aggregate Outstanding Balance of all Eligible Receivables at such time.

"Group C Obligor" means an Obligor, not a Group A Obligor or a Group B Obligor, with a short-term rating of at least: (a) "A-3" by Standard & Poor's, or if such Obligor does not have a short-term rating from Standard & Poor's, a rating of "BBB-" to "BBB" by Standard & Poor's on its long-term senior unsecured and uncredit-enhanced debt securities, and (b) "P-3" by Moody's, or if such Obligor does not have a short-term rating from Moody's, "Baa3" to "Baa2" by Moody's on its long-term senior unsecured and uncredit-enhanced debt securities.

"Group C Obligor Percentage" means, at any time, for each Group C Obligor, the percentage equivalent of: (a) the aggregate Outstanding Balance of the Eligible Receivables of such Group C Obligor less any Excess Concentrations of such Obligor, divided by (b) the aggregate Outstanding Balance of all Eligible Receivables at such time.

"Group D Obligor" means any Obligor that is not a Group A Obligor, Group B Obligor or Group C Obligor.

"Group D Obligor Percentage" means, at any time, for each Group D Obligor: (a) the aggregate Outstanding Balance of the Eligible Receivables of such Group D Obligor less any Excess Concentrations of such Obligor, divided by (b) the aggregate Outstanding Balance of all Eligible Receivables at such time.

"Indemnified Amounts" has the meaning set forth in Section 3.1 of the Agreement.

"Indemnified Party" has the meaning set forth in Section 3.1 of the Agreement.

"Indemnifying Party" has the meaning set forth in Section 3.3 of the Agreement.

"Independent Director" has the meaning set forth in paragraph 3(c) of Exhibit IV to the Agreement.

"Information Package" means a report, in substantially the form of either Annex A-1 (in the case of an Information Package delivered in connection with a Settlement Date) or Annex A-2 (in the case of an Information Package delivered at any other time) to the Agreement, furnished to the Administrator pursuant to the Agreement.

"Insolvency Proceeding" means: (a) any case, action or proceeding before any court or other Governmental Authority relating to bankruptcy, reorganization, insolvency, liquidation, receivership, dissolution, winding-up or relief of debtors, or (b) any general assignment for the benefit of creditors of a Person, or composition, marshaling of assets for creditors of a Person, or other, similar arrangement in respect of its creditors generally or any substantial portion of its creditors, in each of cases (a) and (b) undertaken under U.S. Federal, state or foreign law, including the Bankruptcy Code.

"Internal Revenue Code" means the Internal Revenue Code of 1986, as amended from time to time, and any successor statute of similar import, together with the regulations thereunder, in each case as in effect from time to time. References to sections of the Internal Revenue Code also refer to any successor sections.

"Issuer" has the meaning set forth in the preamble to the Agreement.

"Issuer's Share" of any amount means such amount multiplied by the Purchased Interest at the time of determination.

"Liquidity Agent" means PNC in its capacity as the Liquidity Agent pursuant to the Liquidity Agreement.

"Liquidity Agreement" means the Liquidity Asset Purchase Agreement, dated as of even date herewith, between the Purchasers from time to time party thereto, the Issuer and PNC, as Administrator and Liquidity Agent, as the same may be further amended, supplemented or otherwise modified from time to time.

"Lock-Box Account" means an account in the name of the Seller and maintained by the Seller at a bank or other financial institution for the purpose of receiving Collections.

"Lock-Box Agreement" means an agreement, in form and substance satisfactory to the Administrator, among the Seller, the Originator, the Servicer, the Administrator, the Issuer and a Lock-Box Bank.

"Lock-Box Bank" means any of the banks or other financial institutions holding one or more Lock-Box Accounts.

"Loss Reserve" means, on any date, an amount equal to: (a) the Capital at the close of business of the Servicer on such date multiplied by (b)(i) the Loss Reserve Percentage on such date divided by (ii) 100% minus the Loss Reserve Percentage on such date.

"Loss Reserve Percentage" means, on any date, the greater of: (a) 10% or (b) the product of 2.0 times (i) the highest average of the Default Ratios for any three consecutive calendar months during the twelve most recent calendar months plus (ii) (A) the aggregate credit sales made by the Originator during the four most recent calendar months, divided by (B) the Net Receivables Pool Balance as of such date.

"Material Adverse Effect" means, relative to any Person with respect to any event or circumstance, a material adverse effect on:

(a) the assets, operations, business or financial condition of such Person,

(b) the ability of any of such Person to perform its obligations under the Agreement or any other Transaction Document to which it is a party,

(c) the validity or enforceability of any other Transaction Document, or the validity, enforceability or collectibility of a material portion of the Pool Receivables, or

(d) the status, perfection, enforceability or priority of the Issuer's or the Seller's interest in the Pool Assets.

"Moody's" means Moody's Investors Service, Inc.

"Net Receivables Pool Balance" means, at any time: (a) the Outstanding Balance of Eligible Receivables then in the Receivables Pool minus (b) the Excess Concentration.

"Notes" means short-term promissory notes issued, or to be issued, by the Issuer to fund its investments in accounts receivable or other financial assets.

"Obligor" means, with respect to any Receivable, the Person obligated to make payments pursuant to the Contract relating to such Receivable.

"Originator" has the meaning set forth in the Purchase and Sale Agreement.

"Originator Assignment Certificate" means the assignment, in substantially the form of Exhibit C to the Purchase and Sale Agreement, evidencing Seller's ownership of the Receivables generated by the Originator, as the same may be amended, supplemented, amended and restated, or otherwise modified from time to time in accordance with the Purchase and Sale Agreement.

"Outstanding Balance" of any Receivable at any time means the then outstanding principal balance thereof.

"Payment Date" has the meaning set forth in Section 2.2 of the Purchase and Sale Agreement.

"Performance Guarantor" means UGI Corporation, a Pennsylvania corporation, as performance guarantor under the Performance Guaranty.

"Performance Guaranty" means that certain Performance Guaranty, dated as of August 29, 2003 by the Performance Guarantor in favor of the Issuer and the Administrator, as the same may be amended, restated or otherwise modified from time to time.

"Person" means an individual, partnership, corporation (including a business trust), joint stock company, trust, unincorporated association, joint venture, limited liability company or other entity, or a government or any political subdivision or agency thereof.

"PNC" has the meaning set forth in the preamble to the Agreement.

"Pool Assets" has the meaning set forth in Section 1.2(d) of the Agreement.

"Pool Receivable" means a Receivable in the Receivables Pool.

"Portion of Capital" means any separate portion of Capital being funded or maintained by the Issuer (or its successors or permitted assigns) by reference to a particular interest rate basis. In addition, at any time when the Capital of the Purchased Interest is not divided into two or more such portions, "Portion of Capital" means 100% of the Capital.

"Program Support Agreement" means and includes the Liquidity Agreement and any other agreement entered into by any Program Support Provider providing for: (a) the issuance of one or more letters of credit for the account of the Issuer in connection with the Issuer's Receivables securitization program, (b) the issuance of one or more surety bonds in connection with the Issuer's Receivables securitization program for which the Issuer is obligated to reimburse the applicable Program Support Provider for any drawings thereunder, (c) the sale by the Issuer to any Program Support Provider of the Purchased Interest (or portions thereof) and/or (d) the making of loans and/or other extensions of credit to the Issuer in connection with the Issuer's Receivables-securitization program contemplated in the Agreement, together with any

letter of credit, surety bond or other instrument issued thereunder (but excluding any discretionary advance facility provided by the Administrator).

"Program Support Provider" means and includes any Purchaser and any other Person (other than any customer of the Issuer) now or hereafter extending credit or having a commitment to extend credit to or for the account of, or to make purchases from, the Issuer pursuant to any Program Support Agreement.

"Purchase and Sale Agreement" means the Purchase and Sale Agreement, dated as of even date herewith, between the Seller and UGI, as such agreement may be amended, amended and restated, supplemented or otherwise modified from time to time.

"Purchase and Sale Indemnified Amounts" has the meaning set forth in Section 9.1 of the Purchase and Sale Agreement.

"Purchase and Sale Indemnified Party" has the meaning set forth in Section 9.1 of the Purchase and Sale Agreement.

"Purchase and Sale Termination Date" has the meaning set forth in Section 1.4 of the Purchase and Sale Agreement.

"Purchase and Sale Termination Event" has the meaning set forth in Section 8.1 of the Purchase and Sale Agreement.

"Purchase Facility" has the meaning set forth in Section 1.1 of the Purchase and Sale Agreement.

"Purchase Limit" means \$100,000,000, as such amount may be reduced pursuant to Section 1.1(b) of the Agreement. References to the unused portion of the Purchase Limit shall mean, at any time, the Purchase Limit minus the then outstanding Capital.

"Purchase Notice" has the meaning set forth in Section 1.2(a) of the Agreement.

"Purchase Price" has the meaning set forth in Section 2.1 of the Purchase and Sale Agreement.

"Purchase Report" has the meaning set forth in Section 2.1 of the Purchase and Sale Agreement.

"Purchased Interest" means, at any time, the undivided percentage ownership interest in: (a) each and every Pool Receivable now existing or hereafter arising, (b) all Related Security with respect to such Pool Receivables and (c) all Collections with respect to, and other proceeds of, such Pool Receivables and Related Security. Such undivided percentage interest shall be computed as:

$$\frac{\text{Capital + Total Reserves}}{\text{Net Receivables Pool Balance}}$$

The Purchased Interest shall be determined from time to time pursuant to Section 1.3 of the Agreement.

"Purchaser" has the meaning set forth in Section 5.3(b) of the Agreement.

"Receivable" means any indebtedness and other obligations (whether or not earned by performance) owed to the Seller (as assignee of the Originator) or the Originator by, or any right of the Seller or the Originator to payment from or on behalf of, an Obligor, whether constituting an account, chattel paper, instrument or general intangible, arising in connection with property or goods that have been or are to be sold or otherwise disposed of, or services rendered or to be rendered by the Originator, and includes the obligation to pay any finance charges, fees and other charges with respect thereto. Indebtedness and other obligations arising from any one transaction, including indebtedness and other obligations represented by an individual invoice or agreement, shall constitute a Receivable separate from a Receivable consisting of the indebtedness and other obligations arising from any other transaction.

"Receivables Pool" means, at any time, all of the then outstanding Receivables purchased or otherwise acquired by the Seller pursuant to the Purchase and Sale Agreement prior to the Facility Termination Date.

"Reference Bank" means PNC.

"Related Rights" has the meaning set forth in Section 1.1 of the Purchase and Sale Agreement.

"Related Security" means, with respect to any Receivable:

(a) all of the Seller's and the Originator thereof's interest in any goods (including returned goods), and documentation of title evidencing the shipment or storage of any goods (including returned goods), relating to any sale giving rise to such Receivable,

(b) all instruments and chattel paper that may evidence such Receivable,

(c) all other security interests or liens and property subject thereto from time to time purporting to secure payment of such Receivable, whether pursuant to the Contract related to such Receivable or otherwise, together with all UCC financing statements or similar filings relating thereto, and

(d) all of the Seller's and the Originator thereof's rights, interests and claims under the Contracts and all guaranties, indemnities, insurance, letters of credit and other agreements (including the related Contract) or arrangements of whatever character from time to time supporting or securing payment of such Receivable or otherwise relating to such Receivable, whether pursuant to the Contract related to such Receivable or otherwise.

"Reseller" means an Obligor that purchases product from the Originator and for which the Originator acts as billing and collection agent with respect to such Obligor's resale of the product.

"Restricted Payment" has the meaning set forth in paragraph 1(n) of Exhibit IV to the Agreement.

"Seller" has the meaning set forth in the preamble to the Agreement.

"Seller's Share" of any amount means the greater of: (a) \$0 and (b) such amount minus the Issuer's Share.

"Servicer" has the meaning set forth in the preamble to the Agreement.

"Servicing Fee" shall mean the fee referred to in Section 4.6 of the Agreement.

"Servicing Fee Rate" shall mean the rate referred to in Section 4.6 of the Agreement.

"Settlement Date" means with respect to any Portion of Capital for any Settlement Period, (i) prior to the Facility Termination Date, the third Wednesday of each calendar month (or the next succeeding Business Day if such day is not a Business Day) beginning with December 19, 2001 and (ii) on and after the Facility Termination Date, each day selected from time to time by the Administrator (it being understood that the Administrator may select such Settlement Date to occur as frequently as daily), or, in the absence of such selection, the date specified in clause (i) above.

"Settlement Period" means: (a) before the Facility Termination Date: (i) initially the period commencing on the date of the initial purchase pursuant to Section 1.2 of the Agreement (or in the case of any fees payable hereunder, commencing on the Closing Date) and ending on (but not including) the next Settlement Date, and (ii) thereafter, each period commencing on such Settlement Date and ending on (but not including) the next Settlement Date, and (b) on and after the Facility Termination Date: such period (including a period of one day) as shall be selected from time to time by the Administrator or, in the absence of any such selection, each period of 30 days from the last day of the preceding Settlement Period.

"Solvent" means, with respect to any Person at any time, a condition under which:

(i) the fair value and present fair saleable value of such Person's total assets is, on the date of determination, greater than such Person's total liabilities (including contingent and unliquidated liabilities) at such time;

(ii) the fair value and present fair saleable value of such Person's assets is greater than the amount that will be required to pay such Person's probable liability on its existing debts as they become absolute and matured ("debts," for this purpose, includes all legal liabilities, whether matured or unmatured, liquidated or unliquidated, absolute, fixed, or contingent);

(iii) such Person is and shall continue to be able to pay all of its liabilities as such liabilities mature; and

(iv) such Person does not have unreasonably small capital with which to engage in its current and in its anticipated business.

For purposes of this definition:

(A) the amount of a Person's contingent or unliquidated liabilities at any time shall be that amount which, in light of all the facts and circumstances then existing, represents the amount which can reasonably be expected to become an actual or matured liability;

(B) the "fair value" of an asset shall be the amount which may be realized within a reasonable time either through collection or sale of such asset at its regular market value;

(C) the "regular market value" of an asset shall be the amount which a capable and diligent business person could obtain for such asset from an interested buyer who is willing to Purchase such asset under ordinary selling conditions; and

(D) the "present fair saleable value" of an asset means the amount which can be obtained if such asset is sold with reasonable promptness in an arm's-length transaction in an existing and not theoretical market.

"Spike Factor" means, for any calendar month, (a) the positive difference, if any, between: (i) the highest Dilution Ratio for any calendar month during the twelve most recent calendar months and (ii) the arithmetic average of the Dilution Ratios for such twelve months times (b) (i) the highest Dilution Ratio for any calendar month during the twelve most recent calendar months divided by (ii) the arithmetic average of the Dilution Ratios for such twelve months.

"Standard & Poor's" means Standard & Poor's, a division of The McGraw-Hill Companies, Inc.

"Subsidiary" means, as to any Person, a corporation, partnership, limited liability company or other entity of which shares of stock of each class or other interests having ordinary voting power (other than stock or other interests having such power only by reason of the happening of a contingency) to elect a majority of the Board of Directors or other managers of such entity are at the time owned, or management of which is otherwise controlled: (a) by such Person, (b) by one or more Subsidiaries of such Person or (c) by such Person and one or more Subsidiaries of such Person.

"Tangible Net Worth" means, with respect to any Person, the tangible net worth of such Person as adjusted to eliminate the impact of any charges related to SFAS 133 and as determined in accordance with GAAP.

"Termination Day" means: (a) each day on which the conditions set forth in Section 2 of Exhibit II to the Agreement are not satisfied or (b) each day that occurs on or after the Facility Termination Date.

"Termination Event" has the meaning specified in Exhibit V to the Agreement.

"Termination Fee" means, for any Settlement Period during which a Termination Day occurs, the amount, if any, by which: (a) the additional Discount (calculated without taking into account any Termination Fee or any shortened duration of such Settlement Period pursuant to the definition thereof) that would have accrued during such Settlement Period on the reductions of Capital relating to such Settlement Period had such reductions not been made, exceeds (b) the income, if any, received by the Issuer from investing the proceeds of such reductions of Capital, as determined by the Administrator, which determination shall be binding and conclusive for all purposes, absent manifest error.

"Total Reserves" means, at any time the sum of: (a) the Yield Reserve, plus (b) the greater of (i) the sum of (A) the Loss Reserve plus (B) the Dilution Reserve or (ii) the Concentration Reserve.

"Transaction Documents" means the Agreement, the Lock-Box Agreements, the Fee Letter, Performance Guaranty, the Purchase and Sale Agreement and all other certificates, instruments, UCC financing statements, reports, notices, agreements and documents executed or delivered under or in connection with any of the foregoing, in each case as the same may be amended, supplemented or otherwise modified from time to time in accordance with the Agreement.

"Turnover Rate" means, for any calendar month, an amount computed as of the last day of such calendar month equal to: (a) the Outstanding Balance of all Pool Receivables as of the last day of such calendar month divided by (b)(i) the aggregate credit sales made by the Originator during the three calendar months ended on or before the last day of such calendar month divided by (ii) 3.

"UCC" means the Uniform Commercial Code as from time to time in effect in the applicable jurisdiction.

"UGI" has the meaning set forth in the preamble to the Agreement.

"Unmatured Purchase and Sale Termination Event" means any event which, with the giving of notice or lapse of time, or both, would become a Purchase and Sale Termination Event.

"Unmatured Termination Event" means an event that, with the giving of notice or lapse of time, or both, would constitute a Termination Event.

"Weekly Settlement Date" means each Wednesday of each week (or the next succeeding Business Day if such day is not a Business Day), beginning December 5, 2001.

"Yield Reserve" means, on any date, an amount equal to: (a) the Capital at the close of business of the Servicer on such date multiplied by (b)(i) the Yield Reserve Percentage on such date divided by (ii) 100% minus the Yield Reserve Percentage on such date.

"Yield Reserve Percentage" means at any time:

$$\frac{(PY + SFR)}{12} \times 1.5 \times TR$$

where:

PY = the Base Rate as of the last day of the most recent
Settlement Period,

TR = the Turnover Rate, and

SFR = the Servicing Fee Rate

Other Terms. All accounting terms not specifically defined herein shall be construed in accordance with GAAP. All terms used in Article 9 of the UCC in the State of New York, and not specifically defined herein, are used herein as defined in such Article 9. Unless the context otherwise requires, "or" means "and/or," and "including" (and with correlative meaning "include" and "includes") means including without limiting the generality of any description preceding such term.

EXHIBIT II
CONDITIONS OF PURCHASES

1. Conditions Precedent to Initial Purchase. The Initial Purchase under this Agreement is subject to the following conditions precedent that the Administrator shall have received on or before the date of such purchase, each in form and substance (including the date thereof) satisfactory to the Administrator:

(a) A counterpart of the Agreement and the other Transaction Documents executed by the parties thereto.

(b) Certified copies of: (i) the resolutions of the Board of Directors of each of the Seller, the Originator and UGI authorizing the execution, delivery and performance by the Seller, the Originator and UGI, as the case may be, of the Agreement and the other Transaction Documents to which it is a party; (ii) all documents evidencing other necessary corporate action and governmental approvals, if any, with respect to the Agreement and the other Transaction Documents and (iii) the certificate of incorporation and by-laws of the Seller and UGI.

(c) A certificate of the Secretary or Assistant Secretary of the Seller, the Originator and UGI certifying the names and true signatures of its officers who are authorized to sign the Agreement and the other Transaction Documents. Until the Administrator receives a subsequent incumbency certificate from the Seller, the Originator or UGI, as the case may be, the Administrator shall be entitled to rely on the last such certificate delivered to it by the Seller, the Originator or UGI, as the case may be.

(d) Proper financing statements or other instrument similar in effect, suitable for filing, under the UCC of all jurisdictions that the Administrator may deem necessary or desirable in order to perfect the interests of the Seller, UGI and the Issuer contemplated by the Agreement and the Purchase and Sale Agreement.

(e) Proper financing statements or other instrument similar in effect, suitable for filing, if any, necessary to release all security interests and other rights of any Person in the Receivables, Contracts or Related Security previously granted by the Originator, UGI or the Seller.

(f) Completed UCC search reports, dated on or shortly before the date of the initial purchase hereunder, listing the financing statements filed in all applicable jurisdictions referred to in subsection (e) above that name the Originator or the Seller as debtor, together with copies of such other financing statements, and similar search reports with respect to judgment liens, federal tax liens and liens of the Pension Benefit Guaranty Corporation in such jurisdictions, as the Administrator may request, showing no Adverse Claims on any Pool Assets.

(g) Copies of executed Lock-Box Agreements with each Lock-Box Bank (to be delivered within 30 days of the Closing Date).

(h) Favorable opinions, in form and substance reasonably satisfactory to the Administrator, of Morgan, Lewis & Bockius LLP, counsel for the Seller, the Originator and the Servicer.

(i) Satisfactory results of a review and audit (performed by representatives of the Administrator) of the Servicer's collection, operating and reporting systems, the Credit and Collection Policy of the Originator, historical receivables data and accounts, including satisfactory results of a review of the Servicer's operating location(s) and satisfactory review and approval of the Eligible Receivables in existence on the date of the initial purchase under the Agreement.

(j) A pro forma Information Package representing the performance of the Receivables Pool for the calendar month before closing.

(k) Evidence of payment by the Seller of all accrued and unpaid fees (including those contemplated by the Fee Letter), costs and expenses to the extent then due and payable on the date thereof, including any such costs, fees and expenses arising under or referenced in Section 5.4 of the Agreement and the Fee Letter.

(l) The Fee Letter duly executed by the Seller and the Servicer.

(m) Good standing certificates with respect to each of the Seller, the Originator and the Servicer issued by the Secretary of State (or similar official) of the state of each such Person's organization or formation and principal place of business.

(n) The Liquidity Agreement and all other Transaction Documents duly executed by the parties thereto.

(o) A computer file containing all information with respect to the Receivables as the Administrator or the Issuer may reasonably request.

(p) Such other approvals, opinions or documents as the Administrator or the Issuer may reasonably request.

2. Conditions Precedent to All Purchases and Reinvestments. Each purchase (except as to clause (a), including the initial purchase) and each reinvestment shall be subject to the further conditions precedent that:

(a) in the case of each purchase, the Servicer shall have delivered to the Administrator on or before such purchase, in form and substance satisfactory to the Administrator, a completed pro forma Information Package to reflect the level of Capital and related reserves and the calculation of the Purchased Interest after such subsequent purchase and a completed Purchase Notice in the form of Annex B; and

(b) on the date of such purchase or reinvestment the following statements shall be true (and acceptance of the proceeds of such purchase or reinvestment shall be deemed a representation and warranty by the Seller that such statements are then true):

(i) the representations and warranties contained in Exhibit III or VI to the Agreement are true and correct in all material respects on and as of the date of such purchase or reinvestment as though made on and as of such date (except to the extent that such representations and warranties relate expressly to an earlier date, and in which case

such representations and warranties shall be true and correct in all material respects as of such earlier date);

(ii) no event has occurred and is continuing, or would result from such purchase or reinvestment, that constitutes a Termination Event or an Unmatured Termination Event;

(iii) after giving effect to such purchase proposed hereby, the Purchased Interest will not exceed 100% and the Capital does not exceed the Purchase Limit; and

(iv) the Facility Termination Date shall not have occurred.

EXHIBIT III
REPRESENTATIONS AND WARRANTIES

1. Representations and Warranties of the Seller. The Seller represents and warrants as follows:

(a) The Seller is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware, and is duly qualified to do business and is in good standing as a foreign corporation in every jurisdiction where the nature of its business requires it to be so qualified, except where the failure to be so qualified would not have a Material Adverse Effect.

(b) The execution, delivery and performance by the Seller of the Agreement and the other Transaction Documents to which it is a party, including its use of the proceeds of purchases and reinvestments: (i) are within its corporate powers; (ii) have been duly authorized by all necessary corporate action; (iii) do not contravene or result in a default under or conflict with: (A) its charter or by-laws, (B) any law, rule or regulation applicable to it, (C) any indenture, loan agreement, mortgage, deed of trust or other material agreement or instrument to which it is a party or by which it is bound, or (D) any order, writ, judgment, award, injunction or decree binding on or affecting it or any of its property; and (iv) do not result in or require the creation of any Adverse Claim upon or with respect to any of its properties. The Agreement and the other Transaction Documents to which it is a party have been duly executed and delivered by the Seller.

(c) No authorization, approval or other action by, and no notice to or filing with, any Governmental Authority or other Person is required for its due execution, delivery and performance by the Seller of its obligations under the Agreement or any other Transaction Document to which it is a party, other than the Uniform Commercial Code filings referred to in Exhibit II to the Agreement, all of which shall be suitable for filing on or before the date of the first purchase hereunder.

(d) Each of the Agreement and the other Transaction Documents to which the Seller is a party constitutes a legal, valid and binding obligation enforceable against the Seller in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization or other similar laws from time to time in effect affecting the enforcement of creditors' rights generally and by general principles of equity, regardless of whether such enforceability is considered in a proceeding in equity or at law.

(e) There is no pending or, to Seller's knowledge, threatened action or proceeding affecting Seller or any of its properties before any Governmental Authority or arbitrator.

(f) No proceeds of any purchase or reinvestment will be used to acquire any equity security of a class that is registered pursuant to Section 12 of the Securities Exchange Act of 1934.

(g) The Seller is the legal and beneficial owner of the Pool Receivables and Related Security, free and clear of any Adverse Claim. Upon each purchase or reinvestment, the Issuer

shall acquire a valid and enforceable perfected undivided percentage ownership or security interest, to the extent of the Purchased Interest, in each Pool Receivable then existing or thereafter arising and in the Related Security, Collections and other proceeds with respect thereto, free and clear of any Adverse Claim. The Agreement creates a security interest in favor of the Issuer in the Pool Assets, and the Issuer has a first priority perfected security interest in the Pool Assets, free and clear of any Adverse Claims. No effective financing statement or other instrument similar in effect covering any Pool Asset is on file in any recording office, except those filed in favor of the Seller pursuant to the Purchase and Sale Agreement and the Issuer relating to the Agreement.

(h) Each Information Package (if prepared by the Seller or one of its Affiliates, or to the extent that information contained therein is supplied by the Seller or an Affiliate), written information, exhibit, financial statement, document, book, record or report furnished or to be furnished at any time by or on behalf of the Seller to the Administrator in connection with the Agreement or any other Transaction Document to which it is a party is or will be complete and accurate in all material respects as of its date or (except as otherwise disclosed to the Administrator at such time) as of the date so furnished,

(i) The Seller's principal place of business and chief executive office (as such terms are used in the UCC) are located at the address referred to in Sections 1(b) of Exhibit IV to the Agreement and the offices where it keeps its records concerning the Receivables are located at the addresses set forth in Schedule IV to the Agreement.

(j) The names and addresses of all the Lock-Box Banks, together with the account numbers of the Lock-Box Accounts (and the related lock-boxes) at such Lock-Box Banks, are specified in Schedule II to the Agreement (or at such other Lock-Box Banks and/or with such other Lock-Box Accounts (and such other related lock-boxes) as have been notified to the Administrator in accordance with the Agreement) and all Lock-Box Accounts (and all related lock-boxes) are subject to Lock-Box Agreements. The Seller has not granted to any Person, other than the Administrator as contemplated by the Lock-Box Agreements dominion and control of any Lock-Box Account (and any related lock-boxes, or the right to take control of any such account at a future time or upon the occurrence of a future event.

(k) The Seller is not in violation of any order of any court, arbitrator or Governmental Authority.

(l) No proceeds of any purchase or reinvestment will be used for any purpose that violates any applicable law, rule or regulation, including Regulations T, U or X of the Federal Reserve Board.

(m) Each Pool Receivable included as an Eligible Receivable in the calculation of the Net Receivables Pool Balance is an Eligible Receivable.

(n) No event has occurred and is continuing, or would result from a purchase in respect of, or reinvestment in respect of, the Purchased Interest or from the application of the proceeds therefrom, that constitutes a Termination Event or an Unmatured Termination Event.

(o) The Seller has accounted for each sale of undivided percentage ownership interests in Receivables in its books and financial statements as sales, consistent with GAAP.

(p) The Seller has complied in all material respects with the Credit and Collection Policies of the Originator with regard to each Receivable originated by the Originator.

(q) The Seller has complied in all material respects with all of the terms, covenants and agreements contained in the Agreement and the other Transaction Documents that are applicable to it.

(r) The Seller's complete corporate name is set forth in the preamble to the Agreement, and it does not use and has not during the last six years used any other corporate name, trade name, doing-business name or fictitious name, except as set forth on Schedule III to the Agreement and except for names first used after the date of the Agreement and set forth in a notice delivered to the Administrator pursuant to Section 1(l)(v) of Exhibit IV to the Agreement.

(s) The Seller is not an "investment company," or a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended. In addition, the Seller is not a "holding company," a "subsidiary company" of a "holding company" or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company" within the meaning of the Public Utility Holding Company Act of 1935, as amended.

(t) With respect to each Receivable transferred to the Seller under the Purchase and Sale Agreement, Seller has given reasonably equivalent value to the Originator thereof in consideration therefor and such transfer was not made for or on account of an antecedent debt. No transfer by the Originator of any Receivable under the Purchase and Sale Agreement is or may be voidable under any section of the Bankruptcy Code.

(u) Each Contract with respect to each Receivable is effective to create, and has created, a legal, valid and binding obligation of the related Obligor to pay the Outstanding Balance of the Receivable created thereunder and any accrued interest thereon, enforceable against the Obligor in accordance with its terms, except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws relating to or limiting creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

(v) Since its most recent fiscal year end, there has been no change in the business, operations, financial condition, properties or assets of the Seller which would have a Material Adverse Effect on its ability to perform its obligations under the Agreement or any other Transaction Document to which it is a party or materially and adversely affect the transactions contemplated under the Agreement or such other Transaction Documents.

2. Representations and Warranties of UGI (including in its capacity as the Servicer). UGI, individually and in its capacity as the Servicer, represents and warrants as follows:

(a) UGI is a corporation duly formed and validly subsisting under the laws of the Commonwealth of Pennsylvania and is duly qualified to do business and is in good standing as a

foreign corporation in every jurisdiction where the nature of its business requires it to be so qualified, except (i) for the District of Columbia and the State of New York, in which jurisdictions the Servicer shall be qualified within 90 days after the Closing Date and (ii) where the failure to be so qualified would not have a Material Adverse Effect.

(b) The execution, delivery and performance by UGI of its obligations under the Agreement and the other Transaction Documents to which it is a party, including UGI in its capacity as the Servicer: (i) are within its corporate powers; (ii) have been duly authorized by all necessary corporate action; (iii) do not contravene or result in a default under or conflict with: (A) its charter or bylaws, (B) any law, rule or regulation applicable to it, (C) any indenture, loan agreement, mortgage, deed of trust or other material agreement or instrument to which it is a party or by which it is bound, or (D) any order, writ, judgment, award, injunction or decree binding on or affecting it or any of its property; and (iv) do not result in or require the creation of any Adverse Claim upon or with respect to any of its properties. The Agreement and the other Transaction Documents to which UGI is a party have been duly executed and delivered by UGI.

(c) No authorization, approval or other action by, and no notice to or filing with any Governmental Authority or other Person, is required for the due execution, delivery and performance by UGI of its obligations under the Agreement or any other Transaction Document to which it is a party.

(d) Each of the Agreement and the other Transaction Documents to which UGI is a party constitutes the legal, valid and binding obligation of UGI enforceable against UGI in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization or other similar laws from time to time in effect affecting the enforcement of creditors' rights generally and by general principles of equity, regardless of whether such enforceability is considered in a proceeding in equity or at law.

(e) The balance sheets of UGI and its consolidated Subsidiaries as at September 30, 2001, and the related statements of income and retained earnings for the fiscal year then ended, copies of which have been furnished to the Administrator, fairly present the financial condition of UGI and its consolidated Subsidiaries as at such date and the results of the operations of UGI and its Subsidiaries for the period ended on such date, all in accordance with GAAP consistently applied, and since September 30, 2001 there has been no event or circumstances which have had a Material Adverse Effect.

(f) Except as disclosed in the most recent audited financial statements of UGI furnished to the Administrator or as otherwise disclosed in writing to the Administrator, there is no pending or, to its best knowledge, threatened action or proceeding affecting it or any of its Subsidiaries before any Governmental Authority or arbitrator that could reasonably be expected to have a Material Adverse Effect.

(g) No proceeds of any purchase or reinvestment will be used to acquire any equity security of a class that is registered pursuant to Section 12 of the Securities Exchange Act of 1934.

(h) Each Information Package (if prepared by UGI or one of its Affiliates, or to the extent that information contained therein is supplied by UGI or an Affiliate), written information, exhibit, financial statement, document, book, record or report furnished or to be furnished at any time by or on behalf of UGI to the Administrator in connection with the Agreement is or will be complete and accurate in all material respects as of its date or (except as otherwise disclosed to the Administrator at such time) as of the date so furnished.

(i) The principal place of business and chief executive office (as such terms are used in the UCC) of UGI and the office where it keeps its records concerning the Receivables are located at the address referred to in Section 2(b) of Exhibit IV to the Agreement.

(j) UGI is not in violation of any order of any court, arbitrator or Governmental Authority to which UGI or any of its assets are bound, which is reasonably likely to have a Material Adverse Effect.

(k) UGI has complied in all material respects with the Credit and Collection Policy of the Originator with regard to each Receivable originated by the Originator.

(l) UGI has complied in all material respects with all of the terms, covenants and agreements contained in the Agreement and the other Transaction Documents that are applicable to it.

(m) UGI is not an "investment company" or a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended. In addition, UGI is not a "holding company," a "subsidiary company" of a "holding company," or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company" within the meaning of the Public Utility Holding Company Act of 1935, as amended.

(n) Since its most recent fiscal year end, there has been no change in the business, operations, financial condition, properties or assets of UGI which is reasonably likely to have a Material Adverse Effect on its ability to perform its obligations under the Agreement or any other Transaction Document to which it is a party or materially and adversely affect the transactions contemplated under the Agreement or such other Transaction Documents.

(o) No license or approval is required for the Administrator or any successor Servicer to use any program (other than MAS90 Software) used by the Servicer in the servicing of the Receivables, other than such licenses and approvals that have been obtained and are in full force and effect.

EXHIBIT IV
COVENANTS

1. Covenants of the Seller. Until the latest of the Facility Termination Date, the date on which no Capital of or Discount in respect of the Purchased Interest shall be outstanding or the date all other amounts owed by the Seller under the Agreement to the Issuer, the Administrator and any other Indemnified Party or Affected Person shall be paid in full:

(a) Compliance with Laws, Etc. The Seller shall comply in all material respects with all applicable laws, rules, regulations and orders, and preserve and maintain its corporate existence, rights, franchises, qualifications and privileges, except to the extent that the failure so to comply with such laws, rules, regulations or orders or the failure so to preserve and maintain such rights, franchises, qualifications and privileges would not have a Material Adverse Effect.

(b) Offices, Records and Books of Account, Etc. The Seller: (i) shall keep its principal place of business and chief executive office (as such terms or similar terms are used in the UCC) and the office where it keeps its records concerning the Receivables at the address of the Seller set forth under its name on the signature page to the Agreement or, pursuant to clause (1)(v) below, at any other locations in jurisdictions where all actions reasonably requested by the Administrator to protect and perfect the interest of the Issuer in the Receivables and related items (including the Pool Assets) have been taken and completed and (ii) shall provide the Administrator with at least 30 days' written notice before making any change in the Seller's name or making any other change in the Seller's identity or corporate structure (including a Change in Control) that could render any UCC financing statement filed in connection with this Agreement "seriously misleading" as such term (or similar term) is used in the UCC; each notice to the Administrator pursuant to this sentence shall set forth the applicable change and the effective date thereof. The Seller also will maintain and implement (or cause the Servicer to maintain and implement) administrative and operating procedures (including an ability to recreate records evidencing Receivables and related Contracts in the event of the destruction of the originals thereof), and keep and maintain (or cause the Servicer to keep and maintain) all documents, books, records, computer tapes and disks and other information reasonably necessary or advisable for the collection of all Receivables (including records adequate to permit the daily identification of each Receivable and all Collections of and adjustments to each existing Receivable).

(c) Performance and Compliance with Contracts and Credit and Collection Policy. The Seller shall (and shall cause the Servicer to), at its expense, timely and fully perform and comply with all material provisions, covenants and other promises required to be observed by it under the Contracts related to the Receivables, and timely and fully comply in all material respects with the applicable Credit and Collection Policies with regard to each Receivable and the related Contract.

(d) Ownership Interest, Etc. The Seller shall (and shall cause the Servicer to), at its expense, take all action necessary or desirable to establish and maintain a valid and enforceable undivided percentage ownership or security interest, to the extent of the Purchased Interest, in the Pool Receivables, the Related Security and Collections with respect thereto, and a first

priority perfected security interest in the Pool Assets, in each case free and clear of any Adverse Claim, in favor of the Issuer, including taking such action to perfect, protect or more fully evidence the interest of the Issuer as the Issuer, through the Administrator, may reasonably request.

(e) Sales, Liens, Etc. The Seller shall not sell, assign (by operation of law or otherwise) or otherwise dispose of, or create or suffer to exist any Adverse Claim upon or with respect to, any or all of its right, title or interest in, to or under any Pool Assets (including the Seller's undivided interest in any Receivable, Related Security or Collections, or upon or with respect to any account to which any Collections of any Receivables are sent), or assign any right to receive income in respect of any items contemplated by this paragraph.

(f) Extension or Amendment of Receivables. Except as provided in the Agreement, the Seller shall not, and shall not permit the Servicer to, extend the maturity or adjust the Outstanding Balance or otherwise modify the terms of any Pool Receivable in any material respect, or amend, modify or waive, in any material respect, any term or condition of any related Contract (which term or condition relates to payments under, or the enforcement of, such Contract).

(g) Change in Business or Credit and Collection Policy. The Seller shall not make (or permit the Originator to make) any material change in the character of its business or in any Credit and Collection Policy (other than a change to the insurance provisions of any such policy) that would have a Material Adverse Effect with respect to the Receivables. The Seller shall not make (or permit the Originator to make) any other material adverse change in any Credit and Collection Policy without receiving the prior written consent of the Administrator.

(h) Audits. The Seller shall (and shall cause the Originator to), from time to time during regular business hours as reasonably requested in advance (unless a Termination Event or an Unmatured Termination Event exists or there shall be a material adverse variance in the performance of the Receivables) by the Administrator, permit the Administrator, or its agents or representatives: (i) to examine and make copies of and abstracts from all books, records and documents (including computer tapes and disks) in the possession or under the control of the Seller (or the Originator) relating to Receivables and the Related Security, including the related Contracts, (ii) to visit the offices and properties of the Seller and the Originator for the purpose of examining such materials described in clause (i) above, and to discuss matters relating to Receivables and the Related Security or the Seller's, UGI's or the Originator's performance under the Transaction Documents or under the Contracts with any of the officers, employees, agents or contractors of the Seller or the Originator having knowledge of such matters and (iii) without limiting the clauses (i) and (ii) above, no more than once annually (unless a Termination Event has occurred and is continuing or there shall be a material variance in the performance of the Receivables) to engage certified public accountants or other auditors acceptable to the Seller and the Administrator to conduct, at the Seller's expense, a review of the Seller's books and records with respect to such Receivables.

(i) Change in Lock-Box Banks, Lock-Box Accounts and Payment Instructions to Obligors. The Seller shall not, and shall not permit the Servicer or the Originator to, add or terminate any bank as a Lock-Box Bank or any account as a Lock-Box Account (or any related

lock-box) from those listed in Schedule II to the Agreement, or make any change in its instructions to Obligor regarding payments to be made to the Seller, the Originator, the Servicer or any Lock-Box Account (or the related lock-box), unless the Administrator shall have consented thereto in writing and the Administrator shall have received copies of all agreements and documents (including Lock-Box Agreements) that it may request in connection therewith.

(j) Deposits to Lock-Box Accounts. The Seller shall (or shall cause the Servicer to): (i) within 30 days of the initial purchase hereunder, instruct all Obligor to make payments of all Receivables to one or more Lock-Box Accounts or to lock-boxes to which only Lock-Box Banks have access (and shall instruct the Lock-Box Banks to cause all items and amounts relating to such Receivables received in such lock-boxes to be removed and deposited into a Lock-Box Account on a daily basis), and (ii) deposit, or cause to be deposited, any Collections received by it, the Servicer or the Originator into Lock-Box Accounts not later than two Business Days after receipt thereof. Each Lock-Box Account shall at all times be subject to a Lock-Box Agreement. The Seller will not (and will not permit the Servicer to) deposit or otherwise credit, or cause or permit to be so deposited or credited, to any Lock-Box Account cash or cash proceeds other than (i) Collections and (ii) on payments received from end-users payable to a Reseller in respect of product sold by such Reseller to such end-user, provided that such payments do not remain on deposit in such Lock-Box Account for more than two Business Days after deposit therein.

(k) Marking of Records. At its expense, the Seller shall: (i) mark (or cause the Servicer to mark) its master data processing records relating to Pool Receivables and related Contracts with a legend evidencing that the undivided percentage ownership interests with regard to the Purchased Interest related to such Receivables and related Contracts have been sold in accordance with the Agreement, and (ii) cause the Originator so to mark its master data processing records pursuant to the Purchase and Sale Agreement.

(l) Reporting Requirements. The Seller will provide to the Administrator (in multiple copies, if requested by the Administrator) the following:

(i) as soon as available and in any event within 105 days after the end of each fiscal year of the Seller, a copy of the annual report for such year for the Seller containing unaudited financial statements for such year certified as to accuracy by the chief financial officer or treasurer of the Seller;

(ii) as soon as possible and in any event within five Business Days after becoming aware of the occurrence of each Termination Event or Unmatured Termination Event, a statement of the chief financial officer of the Seller setting forth details of such Termination Event or Unmatured Termination Event and the action that the Seller has taken and proposes to take with respect thereto;

(iii) promptly after the filing or receiving thereof, copies of all reports and notices that the Seller or any Affiliate files under ERISA with the Internal Revenue Service, the Pension Benefit Guaranty Corporation or the U.S. Department of Labor with respect to any Benefit Plan that is subject to Title IV of ERISA or that the Seller or any Affiliate receives with respect to any Benefit Plan that is subject to Title IV of ERISA from any of the foregoing or from any multiemployer plan (within the meaning of Section 4001(a)(3))

of ERISA) to which the Seller or any of its Affiliates is or was, within the preceding five years, a contributing employer, in each case in respect of the assessment of withdrawal liability or an event or condition that could, in the aggregate, reasonably result in the imposition of material liability on the Seller and/or any such Affiliate;

(iv) at least thirty days before any change in the Seller's name or any other change requiring the amendment of UCC financing statements, a notice setting forth such changes and the effective date thereof;

(v) promptly after the Seller obtains knowledge thereof, notice of any: (A) material litigation, investigation or proceeding that may exist at any time between the Seller and any Person or (B) material litigation or proceeding relating to any Transaction Document;

(vi) promptly after becoming aware of the occurrence thereof, notice of a material adverse change in the business, operations, property or financial or other condition of the Seller, the Servicer or the Originator; and

(vii) such other information respecting the Receivables or the condition or operations, financial or otherwise, of the Seller or any of its Affiliates as the Administrator may from time to time reasonably request.

(m) Certain Agreements. Without the prior written consent of the Administrator, the Seller will not (and will not permit the Originator to) amend, modify, waive, revoke or terminate any Transaction Document to which it is a party or any provision of Seller's certificate of incorporation or by-laws;

(n) Restricted Payments. (i) Except pursuant to clause (ii) below, the Seller will not: (A) purchase or redeem any shares of its capital stock, (B) declare or pay any dividend or set aside any funds for any such purpose, (C) prepay, purchase or redeem any Debt, (D) lend or advance any funds or (E) repay any loans or advances to, for or from any of its Affiliates (the amounts described in clauses (A) through (E) being referred to as "Restricted Payments").

(ii) Subject to the limitations set forth in clause (iii) below, the Seller may make Restricted Payments only by declaring and paying dividends or making returns of capital.

(iii) The Seller may make Restricted Payments only out of the funds it receives pursuant to Sections 1.4(b)(ii) and (iv) of the Agreement. Furthermore, the Seller shall not pay, make or declare: (A) any dividend if, after giving effect thereto, the Seller's Tangible Net Worth would be less than \$4,000,000, or (B) any Restricted Payment (including any dividend) if, after giving effect thereto, any Termination Event or Unmatured Termination Event shall have occurred and be continuing.

(o) Other Business. The Seller will not: (i) engage in any business other than the transactions contemplated by the Transaction Documents; (ii) create, incur or permit to exist any Debt of any kind (or cause or permit to be issued for its account any letters of credit or bankers' acceptances) other than pursuant to this Agreement; or (iii) form any Subsidiary or make any investments in any other Person; provided, however, that the Seller shall be permitted to incur

minimal obligations to the extent necessary for the day-to-day operations of the Seller (such as expenses for stationery, audits, maintenance of legal status, etc.).

(p) Use of Seller's Share of Collections. The Seller shall apply the Seller's Share of Collections to make payments in the following order of priority: (i) the payment of its expenses (including all obligations payable to the Issuer and the Administrator under the Agreement and under the Fee Letter); and (ii) other legal and valid corporate purposes.

(q) Tangible Net Worth. The Seller will not permit its Tangible Net Worth, at any time, to be less than \$6,000,000.

2. Covenants of the Servicer and UGI. Until the latest of the Facility Termination Date, the date on which no Capital of or Discount in respect of the Purchased Interest shall be outstanding or the date all other amounts owed by the Seller under the Agreement to the Issuer, the Administrator and any other Indemnified Party or Affected Person shall be paid in full:

(a) Compliance with Laws, Etc. The Servicer and, to the extent that it ceases to be the Servicer, UGI shall comply (and shall cause the Originator to comply) in all material respects with all applicable laws, rules, regulations and orders, and preserve and maintain its corporate existence, rights, franchises, qualifications and privileges, except to the extent that the failure so to comply with such laws, rules, regulations or orders or the failure so to preserve and maintain such existence, rights, franchises, qualifications and privileges would not have a Material Adverse Effect.

(b) Offices, Records and Books of Account, Etc. The Servicer and, to the extent that it ceases to be the Servicer, UGI, shall keep (and shall cause the Originator to keep) its principal place of business and chief executive office (as such terms or similar terms are used in the applicable UCC) and the office where it keeps its records concerning the Receivables at the address of the Servicer set forth under its name on the signature page to the Agreement or, upon at least 30 days' prior written notice of a proposed change to the Administrator, at any other locations in jurisdictions where all actions reasonably requested by the Administrator to protect and perfect the interest of the Issuer in the Receivables and related items (including the Pool Assets) have been taken and completed. The Servicer and, to the extent that it ceases to be the Servicer, UGI, also will (and will cause the Originator to) maintain and implement administrative and operating procedures (including an ability to recreate records evidencing Receivables and related Contracts in the event of the destruction of the originals thereof), and keep and maintain all documents, books, records, computer tapes and disks and other information reasonably necessary or advisable for the collection of all Receivables (including records adequate to permit the daily identification of each Receivable and all Collections of and adjustments to each existing Receivable).

(c) Performance and Compliance with Contracts and Credit and Collection Policy. The Servicer and, to the extent that it ceases to be the Servicer, UGI, shall (and shall cause the Originator to), at its expense, timely and fully perform and comply with all material provisions, covenants and other promises required to be observed by it under the Contracts related to the Receivables, and timely and fully comply in all material respects with the Credit and Collection Policy with regard to each Receivable and the related Contract.

(d) Extension or Amendment of Receivables. Except as provided in the Agreement, the Servicer and, to the extent that it ceases to be the Servicer, UGI, shall not extend (and shall not permit the Originator to extend), the maturity or adjust the Outstanding Balance or otherwise modify the terms of any Pool Receivable in any material respect, or amend, modify or waive, in any material respect, any term or condition of any related Contract (which term or condition relates to payments under, or the enforcement of, such Contract).

(e) Change in Business or Credit and Collection Policy. The Servicer and, to the extent that it ceases to be the Servicer, UGI, shall not make (and shall not permit the Originator to make) any material change in the character of its business or in any Credit and Collection Policy (other than a change to the insurance provisions of any such policy) without the consent of the Administrator that would be reasonably likely to have a Material Adverse Effect. The Servicer and, to the extent that it ceases to be the Servicer, UGI, shall not make (and shall not permit the Originator to make) any other material adverse change in any Credit and Collection Policy without receiving the prior written consent of the Administrator.

(f) Audits. The Servicer and, to the extent that it ceases to be the Servicer, UGI, shall (and shall cause the Originator to), from time to time during regular business hours as reasonably requested in advance (unless a Termination Event or an Unmatured Termination Event exists or there shall be a material adverse variance in the performance of the Receivables) by the Administrator, permit the Administrator, or its agents or representatives: (i) to examine and make copies of and abstracts from all books, records and documents (including computer tapes and disks) in its possession or under its control relating to Receivables and the Related Security, including the related Contracts; (ii) to visit its offices and properties for the purpose of examining such materials described in clause (i) above, and to discuss matters relating to Receivables and the Related Security or its performance hereunder or under the Contracts with any of its officers, employees, agents or contractors having knowledge of such matters and (iii), without limiting the clauses (i) and (ii) above, no more than once annually (unless a Termination Event has occurred and is continuing or there shall be a material variance in the performance of the Receivables) to engage certified public accountants or other auditors acceptable to the Servicer and the Administrator to conduct, at the Servicer's expense, a review of the Servicer's books and records with respect to such Receivables.

(g) Change in Lock-Box Banks, Lock-Box Accounts and Payment Instructions to Obligors. The Servicer and, to the extent that it ceases to be the Servicer, UGI, shall not (and shall not permit the Originator to) add or terminate any bank as a Lock-Box Bank or any account as a Lock-Box Account (or any related lock-box) from those listed in Schedule II to the Agreement, or make any change in its instructions to Obligors regarding payments to be made to the Servicer or any Lock-Box Account (or the related lock-box), unless the Administrator shall have consented thereto in writing and the Administrator shall have received copies of all agreements and documents (including Lock-Box Agreements) that it may request in connection therewith.

(h) Deposits to Lock-Box Accounts. The Servicer shall: (i) within 30 days of the initial purchase hereunder, instruct all Obligors to make payments of all Receivables to one or more Lock-Box Accounts or to the lock-boxes to which only Lock-Box Banks have access (and shall instruct the Lock-Box Banks to cause all items and amounts relating to such Receivables

received in such lock-boxes to be removed and deposited into a Lock-Box Account on a daily basis), and (ii) deposit, or cause to be deposited, any Collections received by it into Lock-Box Accounts not later than one Business Day after receipt thereof. Each Lock-Box Account shall at all times be subject to a Lock-Box Agreement. The Servicer will not (and will not permit the Originator to) deposit or otherwise credit, or cause or permit to be so deposited or credited, to any Lock-Box Account cash or cash proceeds other than (i) Collections and (ii) on payments received from end-users payable to a Reseller in respect of product sold by such Reseller to such end-user, provided that such payments do not remain on deposit in such Lock-Box Account for more than two Business Days after deposit therein.

(i) Marking of Records. At its expense, the Servicer shall mark its master data processing records relating to Pool Receivables and related Contracts with a legend evidencing that the undivided percentage ownership interests with regard to the Purchased Interest related to such Receivables and related Contracts have been sold in accordance with the Agreement.

(j) Reporting Requirements. UGI shall provide to the Administrator (in multiple copies, if requested by the Administrator) the following:

(i) as soon as available and in any event within 50 days after the end of the first three quarters of each fiscal year of UGI, balance sheets of UGI and its consolidated Subsidiaries as of the end of such quarter and statements of income, retained earnings and cash flow of UGI and its consolidated Subsidiaries for the period commencing at the end of the previous fiscal year and ending with the end of such quarter, certified by the chief financial officer of such Person;

(ii) as soon as available and in any event within 105 days after the end of each fiscal year of such Person, a copy of the annual report for such year for such Person and its consolidated Subsidiaries, containing financial statements for such year audited by independent certified public accountants of nationally recognized standing;

(iii) as to the Servicer only, as soon as available and in any event not later than two Business Days prior to (A) the Settlement Date, an Information Package as of the most recently completed calendar month, (B) any purchase made pursuant to Section 1.2, an Information Package as of the most recent purchase, or within six Business Days of a request by the Administrator, an Information Package for such periods as is specified by the Administrator (including on a semi-monthly, weekly or daily basis);

(iv) as soon as possible and in any event within five Business Days after becoming aware of the occurrence of each Termination Event or Unmatured Termination Event, a statement of the chief financial officer of UGI setting forth details of such Termination Event or Unmatured Termination Event and the action that such Person has taken and proposes to take with respect thereto;

(v) promptly after the sending or filing thereof, copies of (or notice thereof if available on EDGAR) all reports that UGI sends to any of its security holders, and copies of all reports and registration statements that UGI or any Subsidiary files with the Securities and Exchange Commission; provided, that any filings with the Securities and

Exchange Commission that have been granted "confidential" treatment shall be provided promptly after such filings have become publicly available;

(vi) promptly after the filing or receiving thereof, copies of all reports and notices that UGI or any of its Affiliate files under ERISA with the Internal Revenue Service, the Pension Benefit Guaranty Corporation or the U.S. Department of Labor with respect to any Benefit Plan that is subject to Title IV of ERISA or that UGI or any of its Affiliates receives with respect to any Benefit Plan that is subject to Title IV of ERISA from any of the foregoing or from any multiemployer plan (within the meaning of Section 4001(a)(3) of ERISA) to which UGI or any of its Affiliate is or was, within the preceding five years, a contributing employer, in each case in respect of the assessment of withdrawal liability or an event or condition that could, in the aggregate, reasonably result in the imposition of material liability on UGI and/or any such Affiliate;

(vii) at least thirty days before any change in UGI's or the Originator's name or any other change requiring the amendment of UCC financing statements, a notice setting forth such changes and the effective date thereof;

(viii) promptly after UGI obtains knowledge thereof, notice of any: (A) litigation, investigation or proceeding that may exist at any time between UGI or any of its Subsidiaries and any Governmental Authority that, if not cured or if adversely determined, as the case may be, would have a Material Adverse Effect; (B) litigation or proceeding adversely affecting UGI or any of its Subsidiaries in which the amount involved is \$1,000,000 or more and not covered by insurance or in which injunctive or similar relief is sought; or (C) litigation or proceeding relating to any Transaction Document;

(ix) promptly after becoming aware thereof, notice of a material adverse change in the business, operations, property or financial or other condition of UGI or any of its Subsidiaries; and

(x) such other information respecting the Receivables or the condition or operations, financial or otherwise, of UGI or any of its Affiliates as the Administrator may from time to time reasonably request.

(k) Tangible Net Worth. The Servicer will not permit its Tangible Net Worth, at any time, to be less than \$9,000,000.

3. Separate Existence. Each of the Seller and UGI hereby acknowledges that the Purchasers, the Issuer and the Administrator are entering into the transactions contemplated by this Agreement and the other Transaction Documents in reliance upon the Seller's identity as a legal entity separate from UGI, the Performance Guarantor and their Affiliates. Therefore, from and after the date hereof, each of the Seller and UGI shall take all steps specifically required by the Agreement or reasonably required by the Administrator to continue the Seller's identity as a separate legal entity and to make it apparent to third Persons that the Seller is an entity with assets and liabilities distinct from those of UGI, the Performance Guarantor and any other Person, and is not a division of UGI, the Performance Guarantor, their Affiliates or any other

Person. Without limiting the generality of the foregoing and in addition to and consistent with the other covenants set forth herein, each of the Seller and UGI shall take such actions as shall be required in order that:

(a) The Seller will be a limited purpose corporation whose primary activities are restricted in its certificate of incorporation to: (i) purchasing or otherwise acquiring from the Originator (or its Affiliates), owning, holding, granting security interests or selling interests in Pool Assets (or other receivables originated by the Originator or its Affiliates, and certain related assets), (ii) entering into agreements for the selling and servicing of the Receivables Pool (or other receivables pools originated by the Originator or its Affiliates), and (iii) conducting such other activities as it deems necessary or appropriate to carry out its primary activities;

(b) The Seller shall not engage in any business or activity, or incur any indebtedness or liability, other than as expressly permitted by the Transaction Documents;

(c) Not less than one member of the Seller's Board of Directors (the "Independent Director") shall be an individual who is not a direct, indirect or beneficial stockholder, officer, director, employee, affiliate, associate or supplier of UGI, the Performance Guarantor or any of their Affiliates. The certificate of incorporation of the Seller shall provide that: (i) the Seller's Board of Directors shall not approve, or take any other action to cause the filing of, a voluntary bankruptcy petition with respect to the Seller unless the Independent Director shall approve the taking of such action in writing before the taking of such action, and (ii) such provision cannot be amended without the prior written consent of the Independent Director;

(d) The Independent Director shall not at any time serve as a trustee in bankruptcy for the Seller, UGI, the Performance Guarantor or any Affiliate thereof;

(e) Any employee, consultant or agent of the Seller will be compensated from the Seller's funds for services provided to the Seller. The Seller will not engage any agents other than its attorneys, auditors and other professionals, and a servicer and any other agent contemplated by the Transaction Documents for the Receivables Pool, which servicer will be fully compensated for its services by payment of the Servicing Fee;

(f) The Seller will contract with the Servicer to perform for the Seller all operations required on a daily basis to service the Receivables Pool. The Seller will pay the Servicer the Servicing Fee pursuant hereto. The Seller will not incur any material indirect or overhead expenses for items shared with UGI or the Performance Guarantor (or any other Affiliate thereof) that are not reflected in the Servicing Fee. To the extent, if any, that the Seller (or any Affiliate thereof) shares items of expenses not reflected in the Servicing Fee or the manager's fee, such as legal, auditing and other professional services, such expenses will be allocated to the extent practical on the basis of actual use or the value of services rendered, and otherwise on a basis reasonably related to the actual use or the value of services rendered; it being understood that UGI shall pay all expenses

relating to the preparation, negotiation, execution and delivery of the Transaction Documents, including legal, agency and other fees;

(g) The Seller's operating expenses will not be paid by UGI, the Performance Guarantor or any other Affiliate thereof;

(h) All of the Seller's business correspondence and other communications shall be conducted in the Seller's own name and on its own separate stationery;

(i) The Seller's books and records will be maintained separately from those of UGI, the Performance Guarantor and any other Affiliate thereof;

(j) All financial statements of UGI or any Affiliate thereof that are consolidated to include Seller will contain detailed notes clearly stating that: (i) a special purpose corporation exists as a Subsidiary of UGI, (ii) the Originator has sold receivables and other related assets to such special purpose Subsidiary that, in turn, has sold undivided interests therein to certain financial institutions and other entities and (iii) that the special purpose Subsidiary's assets are not available to satisfy the obligations of UGI, the Performance Guarantor or any Affiliate;

(k) The Seller's assets will be maintained in a manner that facilitates their identification and segregation from those of UGI, the Performance Guarantor or any Affiliate thereof;

(l) The Seller will strictly observe corporate formalities in its dealings with UGI, the Performance Guarantor or any Affiliate thereof, and funds or other assets of the Seller will not be commingled with those of UGI, the Performance Guarantor or any Affiliate thereof except as permitted by the Agreement in connection with servicing the Pool Receivables. The Seller shall not maintain joint bank accounts or other depository accounts to which UGI, the Performance Guarantor or any Affiliate thereof (other than UGI in its capacity of Servicer) has independent access. The Seller is not named, and has not entered into any agreement to be named, directly or indirectly, as a direct or contingent beneficiary or loss payee on any insurance policy (other than directors and officers liability and credit insurance policies) with respect to any loss relating to the property of UGI, the Performance Guarantor or any Subsidiary or other Affiliate of UGI. The Seller will pay to the appropriate Affiliate the marginal increase or, in the absence of such increase, the market amount of its portion of the premium payable with respect to any insurance policy that covers the Seller and such Affiliate;

(m) The Seller will maintain arm's-length relationships with UGI and the Performance Guarantor (and any Affiliate thereof). Any Person that renders or otherwise furnishes services to the Seller will be compensated by the Seller at market rates for such services it renders or otherwise furnishes to the Seller. Neither the Seller nor UGI will be or will hold itself out to be responsible for the debts of the other (or of the Performance Guarantor) or the decisions or actions respecting the daily business and affairs of the other (or of the Performance Guarantor). The Seller and UGI will immediately correct any known misrepresentation with respect to the foregoing, and they will not operate or

purport to operate as an integrated single economic unit with respect to each other (or with respect to the Performance Guarantor) or in their dealing with any other entity; and

(n) Neither UGI nor the Performance Guarantor shall pay the salaries of Seller's employees, if any.

EXHIBIT V
TERMINATION EVENTS

Each of the following shall be a "Termination Event":

(a) (i) the Seller, UGI, the Originator or the Servicer (if UGI or any of its Affiliates) shall fail to perform or observe in any material respect any term, covenant or agreement under the Agreement or any other Transaction Document and, except as otherwise provided herein, such failure shall continue for thirty days after knowledge or notice thereof, (ii) the Seller or the Servicer shall fail to make when due any payment or deposit to be made by it under the Agreement and such failure shall continue unremedied for two (2) Business Days or (iii) UGI shall resign as Servicer, and no successor Servicer reasonably satisfactory to the Administrator shall have been appointed;

(b) UGI (or any Affiliate thereof) shall fail to transfer to any successor Servicer when required any rights pursuant to the Agreement that UGI (or such Affiliate) then has as Servicer;

(c) any representation or warranty made or deemed made by the Seller, UGI or the Originator (or any of their respective officers) under or in connection with the Agreement or any other Transaction Document, or any written information or report delivered by the Seller, UGI or the Originator or the Servicer pursuant to the Agreement or any other Transaction Document, shall prove to have been incorrect or untrue in any respect when made or deemed made (pursuant to paragraph 2(b) of Exhibit II hereof or with respect to any Information Package) or delivered; provided, however, if the violation of this paragraph (c) by the Seller or the Servicer may be cured without any potential or actual detriment to the Purchaser, the Administrator, or any Program Support Provider, the Seller or the Servicer as applicable shall have 30 days from the earlier of (i) such Person's knowledge of such failure and (ii) notice to such Person of such failure to cure any such violation, before a Termination Event shall occur so long as such Person is diligently attempting to effect such cure;

(d) the Seller or the Servicer shall fail to deliver the Information Package pursuant to the Agreement, and such failure shall remain unremedied for two Business Days;

(e) the Agreement or any purchase or reinvestment pursuant to the Agreement shall for any reason: (i) cease to create, or the Purchased Interest shall for any reason cease to be, a valid and enforceable perfected undivided percentage ownership or security interest to the extent of the Purchased Interest in each Pool Receivable, the Related Security and Collections with respect thereto, free and clear of any Adverse Claim, or (ii) cease to create with respect to the Pool Assets, or the interest of the Issuer with respect to such Pool Assets shall cease to be, a valid and enforceable first priority perfected security interest, free and clear of any Adverse Claim;

(f) the Seller, UGI, the Performance Guarantor or the Originator shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against the Seller, UGI, the Performance Guarantor or the Originator seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization,

arrangement, adjustment, protection, relief or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its property and, in the case of any such proceeding instituted against it (but not instituted by it), either such proceeding shall remain undismissed or unstayed for a period of 60 days, or any of the actions sought in such proceeding (including the entry of an order for relief against, or the appointment of a receiver, trustee, custodian or other similar official for, it or for any substantial part of its property) shall occur; or the Seller, UGI, the Performance Guarantor or the Originator shall take any corporate action to authorize any of the actions set forth above in this paragraph;

(g) (i) the (A) Default Ratio shall exceed 4.0% or (B) Delinquency Ratio shall exceed 13.0% or (ii) the average for three consecutive calendar months of (A) the Default Ratio shall exceed 2.50%, (B) the Delinquency Ratio shall exceed 12.0% or (C) the Dilution Ratio shall exceed 2.75%;

(h) a Change in Control shall occur with respect to the Seller, the Originator or UGI,

(i) at any time (i) the sum of (A) the Capital plus (B) the Total Reserves, exceeds (ii) the sum of (A) the Net Receivables Pool Balance at such time plus (B) the Issuer's Share of the amount of Collections then on deposit in the Lock-Box Accounts (other than amounts set aside therein representing Discount and fees), and such circumstance shall not have been cured within five (5) Business Days of becoming aware thereof;

(j) (i) UGI or any of its Subsidiaries shall fail to pay any principal of or premium or interest on any of its Debt that is outstanding in a principal amount of at least \$5,000,000 in the aggregate when the same becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise), and such failure shall continue after the applicable grace period, if any, specified in the agreement, mortgage, indenture or instrument relating to such Debt (and shall have not been waived); or (ii) any other event shall occur or condition shall exist under any agreement, mortgage, indenture or instrument relating to any such Debt and shall continue after the applicable grace period, if any, specified in such agreement, mortgage, indenture or instrument (and shall have not been waived), if, in either case: (a) the effect of such non-payment, event or condition is to give the applicable debt holders the right (whether acted upon or not) to accelerate the maturity of such Debt, or (b) any such Debt shall be declared to be due and payable, or required to be prepaid (other than by a regularly scheduled required prepayment), redeemed, purchased or defeased, or an offer to repay, redeem, purchase or defease such Debt shall be required to be made, in each case before the stated maturity thereof;

(k) either: (i) a contribution failure shall occur with respect to any Benefit Plan sufficient to give rise to a lien under Section 302(f) of ERISA, (ii) the Internal Revenue Service shall file a notice of lien asserting a claim or claims pursuant to the Internal Revenue Code with regard to any of the assets of Seller, the Originator or any ERISA Affiliate and such lien shall have been filed and not released within 10 days, or (iii) the Pension Benefit Guaranty Corporation shall, or shall indicate its intention in writing to the Seller, the Originator or any ERISA Affiliate to, either file a notice of lien asserting a claim pursuant to ERISA with regard to any assets of the

Seller, the Originator or any ERISA Affiliate or terminate any Benefit Plan subject to Title IV of ERISA that has unfunded benefit liabilities, or any steps shall have been taken to terminate any Benefit Plan subject to Title IV of ERISA that has unfunded benefit liabilities so as to result in any material liability to the Seller or the Originator and such lien shall have been filed and not released within 10 days;

(l) (i) one or more final and unappealable judgments for the payment of money shall be entered against the Seller or (ii) one or more final and unappealable judgments for the payment of money in an amount in excess of \$20,000,000, individually or in the aggregate, shall be entered against the Servicer or the Originator on claims not covered by insurance or as to which the insurance carrier has denied its responsibility, and such judgment shall continue unsatisfied and in effect for sixty (60) consecutive days without a stay of execution;

(m) UGI Corporation shall at any time (i) fail to perform, maintain or observe any representation, warranty, covenant or agreement set forth in the Performance Guaranty or (ii) repudiate any of its obligations under the Performance Guaranty; or

(n) the "Purchase and Sale Termination Date" under and as defined in the Purchase and Sale Agreement shall occur under the Purchase and Sale Agreement or the Originator shall for any reason cease to transfer, or cease to have the legal capacity to transfer, or otherwise be incapable of transferring Receivables to the Seller under the Purchase and Sale Agreement.

EXHIBIT VI
SUPPLEMENTAL PERFECTION REPRESENTATIONS,
WARRANTIES AND COVENANTS

In addition to the representations, warranties and covenants contained in Exhibit III hereof, the Seller hereby makes the following additional representations, warranties and covenants:

1. Receivables; Lock-box Accounts.

(a) The Pool Receivables constitute "accounts", "general intangibles" or "tangible chattel paper", each within the meaning of the applicable UCC.

(b) Lock-Box Accounts. Each Lock-Box Account constitutes a "deposit account" within the meaning of the applicable UCC.

2. Creation of Security Interest. The Seller owns and has good and marketable title to the Pool Receivables and Lock-Box Accounts (and the related lock-boxes), free and clear of any Adverse Claim. The Agreement creates a valid and continuing security interest (as defined in the applicable UCC) in the Pool Receivables and the Lock-Box Accounts (and the related lock-boxes) in favor of the Issuer, which security interest is prior to all other Adverse Claims and is enforceable as such as against any creditors of and purchasers from the Seller.

3. Perfection.

(a) General. The Seller has or has caused, or will or will cause within ten days after the date hereof, the filing of all appropriate financing statements in the proper filing office in the appropriate jurisdictions under applicable law in order to perfect the sale of the Pool Receivables from the Originator to the Seller pursuant to the Purchase and Sale Agreement and the security interest granted by the Seller to the Issuer in the Receivables and Lock-Box Accounts (and the related lock-boxes) hereunder.

(b) Tangible Chattel Paper. With respect to any Pool Receivable that constitutes "tangible chattel paper", the Servicer is in possession of the original copies of the tangible chattel paper that constitute or evidence such Pool Receivables, and the Seller has filed or has caused the Originator to file, or will file or will cause the Originator to file within ten days after the date hereof, the financing statements described in paragraph (a) above, each of which will contain a statement that: "A purchase of or a grant of a security interest in any property described in this financing statement will violate the rights of the Issuer." The Pool Receivables to the extent they are evidenced by "tangible chattel paper" do not have any marks or notations indicating that they have been pledged, assigned or otherwise conveyed to any Person other than the Seller or the Issuer.

(c) Lock-Box Accounts. With respect to all Lock-Box Accounts (and all related lock-boxes), the Seller has delivered to the Administrator, on behalf of the Issuer, a fully executed Lock-Box Agreement pursuant to which the applicable Lock-Box Bank has agreed, following the occurrence and continuation of a Termination Event, to comply with all instructions given by the Administrator with respect to all funds on deposit in such Lock-Box

Account (and all funds sent to the respective lock-box), without further consent by the Seller or the Servicer.

4. Priority.

(a) Other than the transfer of the Receivables by the Originator to the Seller pursuant to the Purchase and Sale Agreement and the grant of security interest by the Seller to the Issuer in the Pool Receivables and Lock-Box Accounts (and the related lock-boxes) hereunder, neither the Seller nor the Originator has pledged, assigned, sold, conveyed, or otherwise granted a security interest in any of the Pool Receivables or Lock-Box Accounts (and the related lock-boxes) to any other Person.

(b) Neither the Seller nor the Originator has authorized, or is aware of, any filing of any financing statement against the Seller or the Originator that includes a description of collateral covering the Pool Receivables or any other Pool Assets, other than any financing statement filed pursuant to the Purchase and Sale Agreement and the Agreement or financing statements that have been validly terminated prior to the date hereof.

(c) The Seller is not aware of any judgment, ERISA or tax lien filings against either the Seller or the Originator.

(d) None of the Lock-Box Accounts (and the related lock-boxes) are in the name of any Person other than the Seller or the Issuer. None of the Seller, the Servicer or the Originator has consented to any Lock-Box Bank's complying with instructions of any person other than the Administrator.

5. Survival of Supplemental Representations. Notwithstanding any other provision of the Agreement or any other Transaction Document, the representations contained in this Exhibit VI shall be continuing, and remain in full force and effect until such time as all the Capital has finally been paid in full and all other obligations of the Seller under the Agreement or any other Transaction Documents have been fully performed.

6. No Waiver. The parties to the Agreement: (i) shall not, without obtaining a confirmation of the then-current rating of the Notes, waive any of the representations set forth in this Exhibit VI; (ii) shall provide the ratings agencies rating the Notes with prompt written notice of any breach of any representations set forth in this Exhibit VI, and (iii) shall not, without obtaining a confirmation of the then-current rating of the Notes (as determined after any adjustment or withdrawal of the ratings following notice of such breach) waive a breach of any of the representations set forth in this Exhibit VI.

7. Seller to Maintain Perfection and Priority. In order to evidence the interests of the Issuer under this Agreement, the Seller shall, from time to time take such action, or execute and deliver such instruments (other than filing financing statements) as may be necessary or advisable (including, without limitation, such actions as are requested by the Administrator on behalf of the Issuer) to maintain and perfect, as a first-priority interest, the Issuer's security interest in the Pool Assets. The Seller shall, from time to time and within the time limits established by law, prepare and present to the Administrator for the Administrator's authorization and approval all financing statements, amendments, continuations or initial

financing statements in lieu of a continuation statement, or other filings necessary to continue, maintain and perfect the Purchaser's security interest in the Pool Assets as a first-priority interest. The Administrator's approval of such filings shall authorize the Seller to file such financing statements under the UCC without the signature of the Seller, the Originator or the Issuer where allowed by applicable law. Notwithstanding anything else in the Transaction Documents to the contrary, neither the Seller, the Servicer, nor the Originator, shall have any authority to file a termination, partial termination, release, partial release or any amendment that deletes the name of a debtor or excludes collateral of any such financing statements, without the prior written consent of the Administrator, on behalf of the Issuer.

SCHEDULE I
CREDIT AND COLLECTION POLICY

Schedule I-1

SCHEDULE II
LOCK-BOX BANKS AND LOCK-BOX ACCOUNTS

Lock-Box Bank -----	Seller -----	Lock Box No. -----	Account No. -----
PNC Bank, National Association	Energy Services Funding Corporation	827032	8606074246

SCHEDULE III
TRADE NAMES

Corporate Name - - - - -	Trade Names / Fictitious Names - - - - -
Energy Services Funding Corporation	None

Schedule III-1

SCHEDULE IV
LOCATION OF RECORDS OF SELLER

460 North Gulph Road
King of Prussia, Pennsylvania 19406-2815

100 Kachel Boulevard
Suite 400
Reading, Pennsylvania 19607

1100 Berkshire Boulevard
Suite 305
Wyomissing, Pennsylvania 19610

Schedule IV-1

ANNEX A-1
TO RECEIVABLES PURCHASE AGREEMENT

FORM OF INFORMATION PACKAGE (SETTLEMENT DATE)

Annex A-1

ANNEX A-2
TO RECEIVABLES PURCHASE AGREEMENT

FORM OF INFORMATION PACKAGE (INTER-SETTLEMENT DATE)

Annex A-2

ANNEX B
TO RECEIVABLES PURCHASE AGREEMENT

FORM OF PURCHASE NOTICE

Annex B-1

FORM OF PURCHASE NOTICE

_____, [2001]

PNC Bank, National Association
One PNC Plaza, 3rd Floor
249 Fifth Avenue
Pittsburgh, PA 15222-2707

Ladies and Gentlemen:

Reference is hereby made to the Receivables Purchase Agreement, dated as of November 30, 2001 (as heretofore amended or supplemented, the "Receivables Purchase Agreement"), among Energy Services Funding Corporation ("Seller"), UGI Energy Services, Inc., as Servicer, Market Street Funding Corporation ("Issuer") and PNC Bank National Association (the "Administrator"). Capitalized terms used in this Purchase Notice and not otherwise defined herein shall have the meanings assigned thereto in the Receivables Purchase Agreement.

This letter constitutes a Purchase Notice pursuant to Section 1.2(a) of the Receivables Purchase Agreement. Seller desires to sell pursuant to the Receivables Purchase Agreement an undivided variable percentage interest in a pool of receivables on [, 200], for a Purchase Price of \$_____. Subsequent to this purchase, the aggregate outstanding Capital will be \$_____. The pro forma calculation of the Purchased Interest after giving effect to the increase in Capital is [_____].

Seller hereby represents and warrants as of the date hereof, and as of the date of purchase, as follows:

(i) the representations and warranties contained in Exhibit III of the Receivables Purchase Agreement are correct in all respects on and as of such dates as though made on and as of such dates and shall be deemed to have been made (pursuant to paragraph 2(b) of Exhibit II of the Receivables Purchase Agreement) on such dates (except to the extent that such representations and warranties relate expressly to an earlier date, and in which case such representations and warranties shall be true and correct in all respects as of such earlier date);

(ii) no Termination Event or Unmatured Termination Event has occurred and is continuing, or would result from such purchase;

(iii) after giving effect to the purchase proposed hereby, the Purchased Interest will not exceed 100% and the Capital will not exceed the Purchase Limit;

(iv) no Default Event shall have occurred and is continuing; and

(v) the Facility Termination Date shall not have occurred.

Annex B-2

IN WITNESS WHEREOF, the undersigned has caused this Purchase Notice to be executed by its duly authorized officer as of the date first above written.

ENERGY SERVICES FUNDING CORPORATION

By: _____
Name Printed: _____
Title: _____

Annex B-3

ANNEX C
TO RECEIVABLES PURCHASE AGREEMENT

FORM OF PAYDOWN NOTICE

Annex C-1

FORM OF PAYDOWN NOTICE

_____, _____

PNC Bank, National Association
249 Fifth Avenue
Pittsburgh, New York 15222-2707
Attention: John T. Smathers

Ladies and Gentlemen:

Reference is hereby made to the Receivables Purchase Agreement, dated as of November 30, 2001 (as amended, supplemented or otherwise modified, the "Receivables Purchase Agreement"), among Energy Services Funding Corporation, as Seller, UGI Energy Services, Inc., as Servicer, Market Street Funding Corporation, as Issuer, and PNC Bank, National Association, as Administrator. Capitalized terms used in this paydown notice and not otherwise defined herein shall have the meanings assigned thereto in the Receivables Purchase Agreement.

This letter constitutes a paydown notice pursuant to Section 1.4(f)(i) of the Receivables Purchase Agreement. The Seller desires to reduce the Capital on _____, _____ 1 by the application of \$_____ in cash to pay Capital and Discount to accrue (until such cash can be used to pay commercial paper notes) with respect to such Capital, together with all costs related to such reduction of Capital.

- 1 Notice must be given (i) at least one Business Day prior to the requested paydown date, in the case of reductions of greater than \$1,000,000 and less than or equal to \$3,000,000; (ii) at least two Business Days prior the requested paydown date, in the case of reductions of greater than \$3,000,000 and less than or equal to \$10,000,000; and (ii) at least five Business Days prior to the requested paydown date, in the case of reductions of greater than \$10,000,000.

IN WITNESS WHEREOF, the undersigned has caused this paydown notice to be executed by its duly authorized officer as of the date first above written.

ENERGY SERVICES FUNDING CORPORATION

By: _____
Name: _____
Title: _____

Receivables Purchase Agreement

(UGI)

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PERFORMANCE GUARANTY

This PERFORMANCE GUARANTY (this "Performance Guaranty"), dated as of August 29, 2003, made by UGI Corporation, a Pennsylvania corporation (the "Company"), in favor of MARKET STREET FUNDING CORPORATION, a Delaware corporation, as Issuer ("Issuer"), and PNC BANK, NATIONAL ASSOCIATION, a national banking association, as Administrator (the "Administrator"). Capitalized terms not otherwise defined herein that are defined in the Receivables Purchase Agreement and the Purchase and Sale Agreement referred to below shall when used herein have the meanings specified in the Receivables Purchase Agreement and the Purchase and Sale Agreement, as applicable.

PRELIMINARY STATEMENTS:

(1) UGI Energy Services, Inc., a Pennsylvania corporation ("UGIES"), in its capacity as an Originator and any other party that shall become a party to the Purchase and Sale Agreement (as defined below) as an Originator are collectively referred to herein as "Originators" and each individually as an "Originator") and Energy Services Funding Corporation, a Delaware corporation (the "Seller"), have entered into a Purchase and Sale Agreement, dated as of November 30, 2001 (as amended through the date hereof, and as the same may be amended, supplemented or otherwise modified from time to time, the "Purchase and Sale Agreement"), pursuant to which each Originator has sold and will sell Receivables and Related Rights (as defined in the Purchase and Sale Agreement) to the Seller.

(2) The Seller, UGIES, as the Servicer (the "Servicer"), Issuer and the Administrator have entered into the Receivables Purchase Agreement, dated as of November 30, 2001 (as amended through the date hereof, and as the same may be amended, supplemented or otherwise modified from time to time, the "Receivables Purchase Agreement" and together with the Purchase and Sale Agreement, the "Agreements"), pursuant to which the Seller has sold and will sell undivided interests in the Receivables and the Related Rights to the Issuer.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company hereby agrees as follows:

SECTION 1. Unconditional Undertaking; Enforcement. (a) The Company hereby unconditionally and irrevocably undertakes and agrees, as set forth herein, with and for the benefit of the Issuer, the Administrator and each Program Support Provider that, in the event that any Originator or the Servicer shall fail in any manner whatsoever to perform or observe any of the terms, covenants, conditions, agreements and undertakings to be performed or observed by (1) any such Originator under the Purchase and Sale Agreement in accordance with the terms thereof, including, without limitation, the obligations of each Originator under Sections 3.3 and 9.1 of the Purchase and Sale Agreement or (2) the Servicer under the Receivables Purchase Agreement in accordance with the terms thereof (all such terms, covenants, conditions, agreements and undertakings on the part of each Originator and the Servicer to be performed or observed being collectively called the "Guaranteed Obligations"), when the same shall be required to be performed or observed under such Agreement, then the Company shall guarantee and ensure that each Originator, the Servicer or the Company or some other Person duly and punctually performs and observes each Guaranteed Obligation; it being understood that the term

"Guaranteed Obligations" shall not be interpreted as a covenant, agreement or undertaking on the part of any Originator or the Servicer regarding the collectibility of any of the Receivables on account of insolvency, bankruptcy or lack of creditworthiness of the related Obligor. It shall not be a condition to the accrual of the obligation of the Company hereunder to guarantee and ensure the performance or observance of any of the Guaranteed Obligations that the Issuer, the Administrator or any Program Support Provider shall have first made any request of or demand upon or given any notice to the Company or any other person or have instituted any action or proceeding against the Company or any other Person in respect thereof.

(b) The Issuer, the Administrator or any Program Support Provider may proceed to enforce the obligations of any Originator or the Servicer under this Section 1 after their failure to perform such obligations in accordance with the terms of the Agreements without first pursuing or exhausting any right or remedy which Issuer, the Administrator or any Program Support Provider may have against any such Originator, the Servicer or any other Person or with respect to the Receivables or the Related Rights.

SECTION 2. Obligation Absolute. The Company undertakes and agrees with and for the benefit of the Issuer, the Administrator and each Program Support Provider to ensure the performance of all Guaranteed Obligations strictly in accordance with the terms of the Agreements. The obligations of the Company under this Performance Guaranty are independent of the Guaranteed Obligations, and a separate action or actions may be brought and prosecuted against the Company to enforce this Performance Guaranty, irrespective of whether any action is brought against any Originator or the Servicer or whether any such Originator or the Servicer is joined in any such action or actions; provided that no such action shall be brought prior to compliance with any notice requirement and the expiration of any cure period applicable to the Guaranteed Obligations, in each case as set forth in the Agreements. The obligations of the Company under this Performance Guaranty shall be absolute and unconditional irrespective of:

(a) any lack of validity or enforceability of either Agreement (other than as a result of any lack of validity or enforceability against the Issuer, the Administrator or any Program Support Provider);

(b) any change in the time, manner or place of payment of, or in any other term of, all or any of the Guaranteed Obligations, or any other amendment or waiver of or any consent to departure from either Agreement including, without limitation, any increase in, or addition to, the Guaranteed Obligations resulting from additional purchases under the Receivables Purchase Agreement or otherwise;

(c) any taking, exchange, release or non-perfection of any collateral, or any taking, release or amendment or waiver of or consent to departure from any other guaranty, for all or any of the Guaranteed Obligations;

(d) any manner of application of collateral, or proceeds thereof, to all or any of the Guaranteed Obligations, or any manner of sale or other disposition of any collateral for all or any of the Guaranteed Obligations or any other assets of any Originator or the Servicer;

(e) any change, restructuring or termination of the corporate structure or existence of any Originator or the Servicer;

(f) the insolvency, bankruptcy or reorganization of any Originator or the Servicer, or any stay or discharge of any of the Guaranteed Obligations in connection therewith; or

(g) any other circumstance which might otherwise constitute a defense (except for a valid defense of any Originator or the Servicer not arising as a result of any such Originator's or the Servicer's breach of its obligations under either Agreement) available to, or a discharge of any such Originator or the Servicer.

This Performance Guaranty shall continue to be effective or be reinstated, as the case may be, if at any time any payment or performance of any of the Guaranteed Obligations is rescinded or must otherwise be returned by the Issuer, the Administrator or any Program Support Provider upon the insolvency, bankruptcy or reorganization of any Originator or the Servicer or otherwise, all as though such payment had not been made.

SECTION 3. Waiver. The Company hereby waives promptness, diligence, notice of acceptance and any other notice with respect to any of the Guaranteed Obligations except to the extent such notice is required to be provided with regard to such Guaranteed Obligations in accordance with the terms of the Agreements and this Performance Guaranty and any requirement that the Issuer, the Administrator or any Program Support Provider protect, secure, perfect or insure any security interest or lien or any property subject thereto or exhaust any right or take any action against any Originator, the Servicer or any other Person or any collateral.

SECTION 4. Subrogation. The Company will not exercise any rights that it may acquire by reason of any payment or performance hereunder, whether by way of subrogation, reimbursement or otherwise resulting from its performance hereunder until all unpaid or unperformed Guaranteed Obligations have been discharged.

SECTION 5. Representations and Warranties. The Company hereby represents and warrants as follows:

(a) The Company is a corporation duly incorporated and in existence under the laws of the Commonwealth of Pennsylvania.

(b) The execution, delivery and performance by the Company of this Performance Guaranty are within the Company's corporate powers and have been duly authorized by all necessary corporate action and do not contravene (i) the Company's charter or by-laws or (ii) any material law or contractual restriction binding on or affecting the Company.

(c) No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution, delivery and performance by the Company of this Performance Guaranty.

(d) This Performance Guaranty is a legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization or other similar laws affecting the enforcement of creditors' rights generally and by general principles of equity, regardless of whether enforceability is considered in a proceeding in equity or at law.

(e) There are no pending or, to the Company's knowledge, threatened actions, suits or proceedings affecting the Company before any court, governmental agency or arbitrator, which could reasonably be expected to materially adversely affect the ability of the Company to perform its obligations under this Performance Guaranty, or which purports to affect the legality, validity or enforceability of this Performance Guaranty.

(f) There are no conditions precedent to the effectiveness of this Performance Guaranty.

SECTION 6. Covenants. (a) The Company agrees that, until the date (the "Final Collection Date") which is the later of the Facility Termination Date and, the date on which no Investment of or Discount in respect of the Purchased Interest shall be outstanding and all other amounts owed by the Seller under the Receivables Purchase Agreement to the Issuer, the Administrator or any other Indemnified Party or Affected Person shall be paid in full, the Company will, unless the Administrator shall otherwise consent in writing:

(i) comply in all material respects with all applicable laws, rules, regulations and orders, and preserve and maintain its corporate existence, rights, franchises, qualifications and privileges, except to the extent that the failure so to comply with such laws, rules, regulations or orders or the failure so to preserve and maintain such rights, franchises, qualifications and privileges would not be reasonably expected to have a material adverse effect on (1) the ability of the Company to perform its obligations hereunder or (2) the validity or enforceability of this Performance Guaranty;

(ii) (1) provide to the Administrator the annual reports and quarterly reports (i.e., reports on Form 10-K and Form 10-Q) that are specified in or required by Sections 13 and 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act") within one Business Day after such reports are filed by the Company with the Securities and Exchange Commission (the "Commission") and (2) provide notice to the Administrator of the filing by the Company with the Commission of any current reports (i.e., reports on Form 8-K) that are specified in or required by Sections 13 and 15(d) of the Exchange Act within five Business Days after such reports are filed with the Commission; provided, however, in the event that the Company is not subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, the Company will provide to the Administrator:

(1) as soon as available and in any event within 50 days after the end of each of the first three quarters of each fiscal year of the Company, balance sheets of the Company and its consolidated Subsidiaries as of the end of such quarter and statements of income, retained earnings and cash flow of the Company and its consolidated Subsidiaries for

the period commencing at the end of the previous fiscal year and ending with the end of such quarter, certified by the chief financial officer of the Company; and

(2) as soon as available and in any event within 105 days after the end of each fiscal year of the Company, financial statements for the Company and its consolidated Subsidiaries (similar to those that would be included in annual reports if the Company were subject to the reporting requirements of Sections 13 and 15(d) of the Exchange Act) for such year audited by independent certified public accountants of nationally recognized standing;

(iii) provide to the Administrator, promptly after becoming aware of the occurrence thereof, notice of a material adverse change in the business, operations, property or financial or other condition of the Company which can reasonably be expected to have a material adverse effect on the ability of the Company to perform its obligations hereunder; and

(iv) not permit its Consolidated Net Worth, at any time, to be less than \$275,000,000.

(b) The Company hereby acknowledges that the Administrator and the Issuer are entering into this Performance Guaranty in reliance upon the Seller's identity as a legal entity separate from UGI, the Company and their Affiliates. Therefore, from and after the date hereof, the Company shall take all steps specifically required by this Performance Guaranty or pursuant to the Receivables Purchase Agreement to continue the Seller's identity as a separate legal entity and to make it apparent to third Persons that the Seller is an entity with assets and liabilities distinct from those of UGI, the Company and any other Person, and is not a division of UGI, the Company, their Affiliates or any other Person. Without limiting the generality of the foregoing and in addition to and consistent with the other covenants set forth herein, the Company shall take such actions as shall be required in order that the Company will not be and will not hold itself out to be responsible for the debts of the Seller or the decisions or actions respecting the daily business and affairs of the Seller. The Company will immediately correct any known misrepresentation with respect to the foregoing, and the Company will not operate or purport to operate as an integrated single economic unit with respect to the Seller in its dealing with any other entity.

SECTION 7. Amendments, Etc. No amendment or waiver of any provision of this Performance Guaranty, and no consent to any departure by the Company herefrom, shall in any event be effective unless the same shall be in writing and signed by the Administrator, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

SECTION 8. Expenses. The Company will upon demand pay to the Issuer, the Administrator, or any Program Support Provider the amount of any and all reasonable expenses, including reasonable attorneys' fees and expenses, which they may incur in connection with the exercise or enforcement of any of their respective rights or interests hereunder.

SECTION 9. Addresses for Notices. All notices and other communications provided for hereunder shall be in writing (including by facsimile or electronic mail) and mailed, telecopied, telegraphed, telexed, cabled, sent by electronic mail or delivered to it, if to the Company, at its address at 460 North Gulph Road, King of Prussia, Pennsylvania 19406, and if to the Administrator or Issuer, at its address designated on the signature pages of the Receivables Purchase Agreement, or, as to any party, at such other address as shall be designated by such party in a written notice to each other party. All such notices and other communications shall, when mailed, faxed, or sent by electronic mail be effective when deposited in the mails, faxed or received, respectively.

SECTION 10. No Waiver; Remedies. No failure on the part of the Issuer, the Administrator or any Program Support Provider to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

SECTION 11. Continuing Agreement. This Performance Guaranty is a continuing agreement and shall (i) remain in full force and effect until the later of (x) the payment in full of the Guaranteed Obligations and all other amounts payable under this Performance Guaranty and (y) one year and a day after the Final Collection Date, (ii) be binding upon the Company, its successors and assigns, and (iii) inure to the benefit of, and be enforceable by, the Issuer, the Administrator and each Program Support Provider and their respective successors, transferees and assigns. Without limiting the generality of the foregoing clause (iii), the Issuer may assign all or any of its Receivables or interest therein under the Receivables Purchase Agreement to any assignee, and such assignee shall thereupon become vested with all the benefits in respect thereof granted to such Issuer herein or otherwise.

SECTION 12. Section Captions. Section captions used in this Performance Guaranty are for convenience of reference only and shall not affect the construction of this Performance Guaranty.

SECTION 13. Severability. Wherever possible each provision of this Performance Guaranty shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Performance Guaranty shall be prohibited by or invalid under such law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Performance Guaranty.

SECTION 14. Consent to Jurisdiction. ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS PERFORMANCE GUARANTY MAY BE BROUGHT IN THE COURTS OF THE STATE NEW YORK SITTING IN THE CITY OF NEW YORK OR THE UNITED STATES FEDERAL DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK, AND BY EXECUTION AND DELIVERY OF THIS PERFORMANCE GUARANTY, THE COMPANY CONSENTS, FOR ITSELF AND IN RESPECT OF ITS PROPERTY, TO THE NON-EXCLUSIVE JURISDICTION OF THOSE COURTS WITH RESPECT TO ANY SUCH ACTION OR PROCEEDING. THE COMPANY IRREVOCABLY WAIVES, TO THE MAXIMUM EXTENT PERMITTED BY LAW, ANY OBJECTION,

INCLUDING ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS, WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY ACTION OR PROCEEDING IN SUCH JURISDICTION IN RESPECT OF THIS PERFORMANCE GUARANTY OR ANY DOCUMENT RELATED HERETO. THE COMPANY WAIVES PERSONAL SERVICE OF ANY SUMMONS, COMPLAINT OR OTHER PROCESS, WHICH MAY BE MADE BY ANY OTHER MEANS PERMITTED BY NEW YORK LAW.

SECTION 15. GOVERNING LAW. THIS PERFORMANCE GUARANTY SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK WITHOUT REFERENCE TO CONFLICT OF LAWS PRINCIPLES.

SECTION 16. WAIVER OF JURY TRIAL. EACH OF THE COMPANY, ISSUER, THE ADMINISTRATOR AND EACH PROGRAM SUPPORT PROVIDER, HEREBY IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO THIS PERFORMANCE GUARANTY OR THE ACTIONS OF ISSUER, THE ADMINISTRATOR AND ANY PROGRAM SUPPORT PROVIDER, IN THE NEGOTIATION, ADMINISTRATION, PERFORMANCE OR ENFORCEMENT THEREOF.

SECTION 17. Execution in Counterparts. This Performance Guaranty may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and the same Performance Guaranty.

[signature page follows]

IN WITNESS WHEREOF, the Company has caused this Performance Guaranty to be duly executed and delivered by its officer thereunto duly authorized as of the date first above written.

UGI CORPORATION

By: _____
Name: _____
Title: _____

Accepted as of the
date hereof:

PNC BANK, NATIONAL ASSOCIATION,
as Administrator

By: _____
Name: _____
Title: _____

MARKET STREET FUNDING CORPORATION

By: _____
Name: _____
Title: _____

Performance Guaranty

AMENDMENT NO. 1
DATED AS OF AUGUST 29, 2003
TO
RECEIVABLES PURCHASE AGREEMENT
DATED AS OF NOVEMBER 30, 2001

This AMENDMENT NO. 1 (this "Amendment") dated as of August 29, 2003 is entered into among ENERGY SERVICES FUNDING CORPORATION, a Delaware corporation, as the seller (the "Seller"), UGI ENERGY SERVICES, INC., a Pennsylvania corporation ("UGI"), as initial servicer (in such capacity, together with its successors and permitted assigns in such capacity, the "Servicer"), MARKET STREET FUNDING CORPORATION, a Delaware corporation (together with its successors and permitted assigns, the "Issuer"), and PNC BANK, NATIONAL ASSOCIATION, a national banking association, as administrator (in such capacity, together with its successors and assigns in such capacity, the "Administrator").

RECITALS

WHEREAS, the parties hereto have entered into a certain Receivables Purchase Agreement dated as of November 30, 2001 (as amended through the date hereof, the "Agreement");

WHEREAS, the parties hereto wish to make certain changes to the Agreement as herein provided;

NOW, THEREFORE, in consideration of the promises and the mutual agreements contained herein and in the Agreement, the parties hereto agree as follows:

SECTION 1. Definitions. All capitalized terms not otherwise defined herein are used as defined in the Agreement.

SECTION 2. Amendments to the Agreement.

2.1 Clause (a) of Section 1.2 of the Agreement is hereby amended by deleting the phrase "two Business Days before the requested purchase date, which notice" therein and substituting the phrase "(x) one Business Day before the requested purchase date in the case of a purchase of less than \$50,000,000 and (y) two Business Days before the requested purchase date in the case of a purchase of at least \$50,000,000, which notice in each case" therefor.

2.2 Clause (f)(i) of Section 1.4 of the Agreement is hereby amended and restated in its entirety as follows:

(i) the Seller shall give the Administrator and the Servicer written notice in the form of Annex C (A) at least one Business Day prior to the date of such reduction for any reduction of Capital less than or equal to \$20,000,000; (B) at least two Business Days prior to the date of such reduction for any reduction of Capital greater than \$20,000,000 and less than or equal to \$50,000,000; and (C) at least three Business Days prior to the date of such reduction for any reduction of

Capital greater than \$50,000,000, in each case such notice shall have been received by 3:00 p.m. New York City time on such date and shall include the amount of such proposed reduction and the proposed date on which such reduction will commence;

2.3 The following definitions of "Consolidated Net Worth," "Performance Guarantor" and "Performance Guaranty" are hereby added to Exhibit I to the Agreement, as alphabetically appropriate:

"Consolidated Net Worth" means, with respect to any Person and as of any date of determination, total stockholders' equity of such Person and its Subsidiaries as of such date, determined in accordance with GAAP.

"Performance Guarantor" means UGI Corporation, a Pennsylvania corporation, as performance guarantor under the Performance Guaranty.

"Performance Guaranty" means that certain Performance Guaranty, dated as of August 29, 2003 by the Performance Guarantor in favor of the Issuer and the Administrator, as the same may be amended, restated or otherwise modified from time to time.

2.4 The definition of "Change in Control" set forth in Exhibit I to the Agreement is hereby amended by adding the phrase ", and (c) with respect to UGI, the Performance Guarantor shall cease to beneficially own, directly or indirectly, 51% of the shares of outstanding voting stock of UGI on a fully diluted basis" immediately prior to the period at the end thereof.

2.5 The definition of "Defaulted Receivable" set forth in Exhibit I to the Agreement is hereby amended by adding the following sentence immediately at the end thereof:

The Outstanding Balance of any Defaulted Receivable shall be determined without regard to any credit memos or credit balances.

2.6 Clause (b) of the definition of "Delinquency Ratio" set forth in Exhibit I to the Agreement is hereby amended by adding the parenthetical "(excluding Delinquent Receivables that have a stated maturity which is more than 60 days after the original invoice date of such Receivable)" immediately following the phrase "Pool Receivables" therein.

2.7 The definition of "Delinquent Receivable" set forth in Exhibit I to the Agreement is hereby amended by adding the following sentence immediately at the end thereof:

The Outstanding Balance of any Delinquent Receivable shall be determined without regard to any credit memos or credit balances and shall exclude Delinquent Receivables that have a stated maturity which is more than 60 days after the original invoice date of such Receivable.

2.8 The definition of "Facility Termination Date" set forth in Exhibit I to the Agreement is hereby amended by deleting the date "November 30, 2004" and substituting the date "August 26, 2006" therefor.

2.9 The definition of "Purchase Limit" set forth in Exhibit I to the Agreement is hereby amended by deleting the amount "\$50,000,000" therein and substituting the amount "\$100,000,000" therefor.

2.10 The definition of "Transaction Documents" set forth in Exhibit I to the Agreement is hereby amended by adding the phrase "Performance Guaranty," immediately following the phrase "Fee Letter," therein.

2.11 Paragraph (q) of Section 1 of Exhibit IV to the Agreement is hereby amended by deleting the amount "\$4,000,000" therein and substituting the amount "\$6,000,000" therefor.

2.12 The first paragraph of Section 3 of Exhibit IV to the Agreement is hereby amended by (i) deleting each reference to the phrase "UGI and" therein and substituting the phrase "UGI, the Performance Guarantor and" therefor, (ii) deleting each reference to the phrase "its Affiliates" therein and substituting the phrase "their Affiliates" therefor and (iii) deleting the phrase "division of UGI" with the phrase "division of UGI, the Performance Guarantor".

2.13 Paragraph (c) of Section 3 of Exhibit IV to the Agreement is hereby amended by deleting the phrase "UGI or any of its Affiliates" therein and substituting the phrase "UGI, the Performance Guarantor or any of their Affiliates" therefor.

2.14 Paragraph (d) of Section 3 of Exhibit IV to the Agreement is hereby amended by adding the phrase ", the Performance Guarantor" immediately following the word "UGI" therein.

2.15 Paragraph (f) of Section 3 of Exhibit IV to the Agreement is hereby amended by adding the phrase "or the Performance Guarantor" immediately following the phrase "shared with UGI" therein.

2.16 Paragraph (g) of Section 3 of Exhibit IV to the Agreement is hereby amended by adding the phrase ", the Performance Guarantor" immediately following the word "UGI" therein.

2.17 Paragraph (i) of Section 3 of Exhibit IV to the Agreement is hereby amended by adding the phrase ", the Performance Guarantor" immediately following the word "UGI" therein.

2.18 Paragraph (j)(iii) of Section 3 of Exhibit IV to the Agreement is hereby amended by adding the phrase ", the Performance Guarantor" immediately following the word "UGI" therein.

2.19 Paragraph (k) of Section 3 of Exhibit IV to the Agreement is hereby amended by deleting the phrase "UGI or" therein and substituting the phrase "UGI, the Performance Guarantor or" therefor.

2.20 Paragraph (l) of Section 3 of Exhibit IV to the Agreement is hereby amended by deleting each reference to the phrase "UGI or" therein and substituting the phrase "UGI, the Performance Guarantor or" therefor.

2.21 Paragraph (m) of Section 3 of Exhibit IV to the Agreement is hereby amended by (i) deleting the phrase "with UGI" therein and substituting the phrase "with UGI and the

Performance Guarantor" therefor, (ii) adding the parenthetical "(or of the Performance Guarantor)" immediately following each reference to the phrase "the other" therein and (iii) adding the parenthetical "(or with respect to the Performance Guarantor)" immediately following the phrase "each other" therein.

2.22 Paragraph (n) of Section 3 of Exhibit IV to the Agreement is hereby amended by deleting the phrase "UGI shall not" therein and substituting the phrase "Neither UGI nor the Performance Guarantor shall" therefor.

2.23 Paragraph (f) of Exhibit V to the Agreement is hereby amended by adding the phrase ", the Performance Guarantor" immediately following each reference to the word "UGI" therein.

2.24 Paragraph (g) of Exhibit V to the Agreement is hereby amended by (i) deleting the percentage "17.0%" therein and substituting the percentage "13.0%" therefor and (ii) deleting the percentage "15.0%" therein and substituting the percentage "12.0%" therefor.

2.25 The existing paragraph (m) to Exhibit V to the Agreement is hereby renumbered as paragraph (n) therein, and a new paragraph (m) is hereby added to Exhibit V to the Agreement in its entirety as follows:

(m) UGI Corporation shall at any time (i) fail to perform, maintain or observe any representation, warranty, covenant or agreement set forth in the Performance Guaranty or (ii) repudiate any of its obligations under the Performance Guaranty; or

SECTION 3. Miscellaneous.

3.1 Effectiveness. This Amendment shall become effective on the date when the Administrator shall have received (i) counterparts of this Amendment (whether by facsimile or otherwise), executed and delivered by each of the parties hereto, (ii) favorable opinions, in form and substance reasonably satisfactory to the Administrator, of Morgan, Lewis & Bockius LLP, counsel for the Seller, the Originator, the Servicer and the Performance Guarantor (except in the case of the opinion with respect to true sale and non-consolidation matters, which opinion shall be delivered within 10 days of the date hereof) and (iii) such other information, certificates, documents and opinions as the Administrator shall reasonably request.

3.2 References to Agreement. Upon the effectiveness of this Amendment, each reference in the Agreement to "this Agreement", "hereunder", "hereof", "herein", or words of like import shall mean and be a reference to the Agreement as amended hereby, and each reference to the Agreement in any other document, instrument or agreement executed and/or delivered in connection with the Agreement shall mean and be a reference to the Agreement as amended hereby.

3.3 Effect on the Agreement. Except as specifically amended above, the Agreement and all other documents, instruments and agreements executed and/or delivered in connection therewith shall remain in full force and effect and are hereby ratified and confirmed.

3.4 No Waiver. The execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of any party under the Agreement or any other document, instrument or agreement executed in connection therewith, nor constitute a waiver of any provision contained therein, except as specifically set forth herein.

3.5 Governing Law. This Amendment, including the rights and duties of the parties hereto, shall be governed by, and construed in accordance with, the laws of the State of New York (without giving effect to the conflict of laws principles thereof).

3.6 Successors and Assigns. This Amendment shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns.

3.7 Headings. The Section headings in this Amendment are inserted for convenience of reference only and shall not affect the meaning or interpretation of this Amendment or any provision hereof.

3.8 Counterparts. This Amendment may be executed by the parties hereto in several counterparts, each of which shall be deemed to be an original and all of which shall constitute together but one and the same agreement.

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties have caused this Amendment to be executed by their respective officers thereunto duly authorized as of the date first above written.

ENERGY SERVICES FUNDING CORPORATION

By: _____
Name: _____
Title: _____

UGI ENERGY SERVICES, INC.

By: _____
Name: _____
Title: _____

Amendment No. 1 to
Receivables Purchase Agreement

MARKET STREET FUNDING CORPORATION

By: _____
Name: _____
Title: _____

Amendment No. 1 to
Receivables Purchase Agreement

PNC BANK, NATIONAL ASSOCIATION, as
Administrator

By: _____
Name: _____
Title: _____

Amendment No. 1 to
Receivables Purchase Agreement

AMENDMENT NO. 1
DATED AS OF AUGUST 29, 2003
TO
PURCHASE AND SALE AGREEMENT
DATED AS OF NOVEMBER 30, 2001

This AMENDMENT NO. 1 (this "Amendment") dated as of August 29, 2003 is entered into among ENERGY SERVICES FUNDING CORPORATION, a Delaware corporation (the "Company"), and UGI ENERGY SERVICES, INC., a Pennsylvania corporation (the "Originator").

RECITALS

WHEREAS, the parties hereto have entered into a certain Purchase and Sale Agreement dated as of November 30, 2001 (as amended through the date hereof, the "Agreement");

WHEREAS, the parties hereto wish to make certain changes to the Agreement as herein provided;

NOW, THEREFORE, in consideration of the promises and the mutual agreements contained herein and in the Agreement, the parties hereto agree as follows:

SECTION 1. Definitions. All capitalized terms not otherwise defined herein are used as defined in the Agreement.

SECTION 2. Amendments to the Agreement.

2.1 Section 3.1 of the Agreement is hereby amended by (i) adding the marker "(a)" immediately prior to the first sentence therein and (ii) deleting the final sentence therein and substituting the following sentence therefor:

Contributions made in connection with the immediately preceding sentence (i) shall have no effect on the aggregate Purchase Price of any Receivables sold by UGI to the Company on the date of such contribution and (ii) shall not affect the aggregate outstanding balance of any Company Note.

2.2 A new clause (b) of Section 3.1 of the Agreement is hereby added, to be and to read in its entirety as follows:

(b) On the terms and subject to the conditions set forth in this Agreement, the Company agrees to pay to the Originator the Purchase Price for the purchase to be made from the Originator on the Closing Date partially in cash (in an amount to be agreed between the Company and the Originator and set forth in the initial Purchase Report) and partially by issuing a promissory note in the form of Exhibit B to the Originator with an initial principal balance equal to the remaining Purchase Price (each such promissory note, as it may be amended, supplemented, endorsed or otherwise modified from time to time, together with

all promissory notes issued from time to time in substitution therefor or renewal thereof in accordance with the Transaction Documents, each being herein called a "Company Note").

2.3 Clause (b) of Section 3.2 of the Agreement is hereby amended and restated in its entirety as follows:

(b) Second, to the extent any portion of the Purchase Price remains unpaid, the principal amount outstanding under the applicable Company Note shall be increased by an amount equal to such remaining Purchase Price.

2.4 Section 3.2 of the Agreement is hereby amended by adding the following paragraph immediately following clause (b) thereof, to be and to read in its entirety as follows:

The Servicer shall make all appropriate record keeping entries with respect to each of the Company Notes to reflect the foregoing payments and reductions made pursuant to Section 3.3, and in the absence of manifest error the Servicer's books and records shall constitute rebuttable presumptive evidence of the principal amount of, and accrued interest on, each of the Company Notes at any time. Furthermore, the Servicer shall hold the Company Notes for the benefit of the Originator. The Originator hereby irrevocably authorizes the Servicer to mark the Company Notes "CANCELED" and to return such Company Notes to the Company upon the final payment thereof after the occurrence of the Purchase and Sale Termination Date.

2.5 Clause (c) of Section 3.3 of the Agreement is hereby amended by deleting the phrase "such credit" therein and substituting the following phrase therefor:

such credit: (i) shall be paid in cash to the Company by the Originator in the manner and for application as described in the following proviso, or (ii) shall be deemed to be a payment under, and shall be deducted from the principal amount outstanding under, the Company Note payable to the Originator;

2.6 A new Exhibit B is hereby added to the Agreement, to be and to read in its entirety as set forth in Exhibit B attached hereto.

SECTION 3. Miscellaneous.

3.1 Effectiveness. This Amendment shall become effective on the date when PNC Bank, National Association shall have received (i) counterparts of this Amendment (whether by facsimile or otherwise), executed and delivered by each of the parties hereto, (ii) a Company Note in favor of the Originator, duly executed by the Company, (iii) favorable opinions, in form and substance reasonably satisfactory to PNC Bank, National Association, of Morgan, Lewis & Bockius LLP, counsel for the Company and the Originator (except in the case of the opinion with respect to true sale and non-consolidation matters, which opinion shall be delivered within 10 days of the date hereof), (iv) such other information, certificates, documents and opinions as PNC Bank, National Association shall reasonably request.

3.2 References to Agreement. Upon the effectiveness of this Amendment, each reference in the Agreement to "this Agreement", "hereunder", "hereof", "herein", or words of like import shall mean and be a reference to the Agreement as amended hereby, and each reference to the Agreement in any other document, instrument or agreement executed and/or delivered in connection with the Agreement shall mean and be a reference to the Agreement as amended hereby.

3.3 Effect on the Agreement. Except as specifically amended above, the Agreement and all other documents, instruments and agreements executed and/or delivered in connection therewith shall remain in full force and effect and are hereby ratified and confirmed.

3.4 No Waiver. The execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of any party under the Agreement or any other document, instrument or agreement executed in connection therewith, nor constitute a waiver of any provision contained therein, except as specifically set forth herein.

3.5 Governing Law. This Amendment, including the rights and duties of the parties hereto, shall be governed by, and construed in accordance with, the laws of the State of New York (without giving effect to the conflict of laws principles thereof).

3.6 Successors and Assigns. This Amendment shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns.

3.7 Headings. The Section headings in this Amendment are inserted for convenience of reference only and shall not affect the meaning or interpretation of this Amendment or any provision hereof.

3.8 Counterparts. This Amendment may be executed by the parties hereto in several counterparts, each of which shall be deemed to be an original and all of which shall constitute together but one and the same agreement.

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties have caused this Amendment to be executed by their respective officers thereunto duly authorized as of the date first above written.

ENERGY SERVICES FUNDING CORPORATION

By: _____
Name: _____
Title: _____

UGI ENERGY SERVICES, INC.

By: _____
Name: _____
Title: _____

Purchase and Sale Agreement
Amendment No. 1

FORM OF SUBORDINATED COMPANY NOTE

_____, 200____

FOR VALUE RECEIVED, the undersigned, Energy Services Funding Corporation, a Delaware corporation ("Company"), promises to pay to UGI Energy Services Inc., a Pennsylvania corporation (the "Originator"), on the terms and subject to the conditions set forth herein and in the Purchase and Sale Agreement referred to below, the aggregate unpaid Purchase Price of all Receivables purchased by the Company from the Originator pursuant to such Purchase and Sale Agreement, as such unpaid Purchase Price is shown in the records of the Servicer.

1. Purchase and Sale Agreement. This Company Note is one of the Company Notes described in, and is subject to the terms and conditions set forth in, that certain Purchase and Sale Agreement of even date herewith (as the same may be amended, supplemented, amended and restated or otherwise modified in accordance with its terms, the "Purchase and Sale Agreement"), between the Company and the Originator. Reference is hereby made to the Purchase and Sale Agreement for a statement of certain other rights and obligations of the Company and the Originator.

2. Definitions. Capitalized terms used (but not defined) herein have the meanings assigned thereto in Exhibit I to the Receivables Purchase Agreement (as defined in the Purchase and Sale Agreement). In addition, as used herein, the following terms have the following meanings:

"Bankruptcy Proceedings" has the meaning set forth in clause (b) of paragraph 9 hereof.

"Final Maturity Date" means the Payment Date immediately following the date that falls one hundred twenty one (121) days after the Purchase and Sale Termination Date.

"Interest Period" means the period from and including a Settlement Date (or, in the case of the first Interest Period, the date hereof) to but excluding the next Settlement Date.

"Prime Rate" has the meaning assigned thereto in the Purchase and Sale Agreement.

"Receivables Purchase Agreement" means the Receivables Purchase Agreement, dated as of November 30, 2001, entered into among Energy Services Funding Corporation, UGI Energy Services, Inc., Market Street Funding Corporation and PNC Bank, National Association, as may be amended, amended and restated, supplemented or otherwise modified from time to time.

"Senior Interests" means, collectively, (i) all accrued and unpaid Discount, (ii) all fees payable by the Company to the Senior Interest Holders pursuant to the Receivables Purchase Agreement, (iii) all amounts payable pursuant to Section 1.7 and 1.8 of the Receivables Purchase Agreement, (iv) the aggregate Capital and (v) all other obligations owed by the Company to the

Senior Interest Holders under the Receivables Purchase Agreement and other Transaction Documents that are due and payable, together with any and all interest and Discount accruing on any such amount after the commencement of any Bankruptcy Proceedings, notwithstanding any provision or rule of law that might restrict the rights of any Senior Interest Holder, as against the Company or anyone else, to collect such interest.

"Senior Interest Holders" means, collectively, the Issuer, the Administrator and the Indemnified Parties.

"Subordination Provisions" means, collectively, clauses (a) through (l) of paragraph 9 hereof.

"One-Month LIBOR Rate" means, for any Interest Period, the rate set forth for "one month" under "London Interbank Offered Rates (Libor):" as published in the Wall Street Journal on the first day of such Interest Period.

3. Interest. Subject to the Subordination Provisions set forth below, the Company promises to pay interest on this Company Note as follows:

(a) Prior to the Final Maturity Date, the aggregate unpaid Purchase Price from time to time outstanding during any Interest Period shall bear interest at a rate per annum equal to the One-Month LIBOR Rate for such Interest Period as determined by the Servicer; and

(b) From (and including) the Final Maturity Date to (but excluding) the date on which the entire aggregate unpaid Purchase Price payable to the Originator is fully paid, such aggregate unpaid Purchase Price from time to time outstanding shall bear interest at a rate per annum equal to the Prime Rate.

4. Interest Payment Dates. Subject to the Subordination Provisions set forth below, the Company shall pay accrued interest on this Company Note on each Settlement Date, and shall pay accrued interest on the amount of each principal payment made in cash on a date other than a Settlement Date at the time of such principal payment.

5. Basis of Computation. Interest accrued hereunder that is computed by reference to the One-Month LIBOR Rate shall be computed for the actual number of days elapsed on the basis of a 360-day year, and interest accrued hereunder that is computed by reference to the rate described in paragraph 3(b) of this Company Note shall be computed for the actual number of days elapsed on the basis of a 365- or 366-day year.

6. Principal Payment Dates. Subject to the Subordination Provisions set forth below, payments of the principal amount of this Company Note shall be made as follows:

(a) The principal amount of this Company Note shall be reduced by an amount equal to each payment deemed made pursuant to Section 3.3 of the Purchase and Sale Agreement; and

(b) The entire remaining unpaid Purchase Price of all Receivables purchased by the Company from the Originator pursuant to the Purchase and Sale Agreement shall be due and payable on the Final Maturity Date.

Subject to the Subordination Provisions set forth below, the principal amount of and accrued interest on this Company Note may be prepaid on any Business Day without premium or penalty.

7. Payment Mechanics. All payments of principal and interest hereunder are to be made in lawful money of the United States of America.

8. Enforcement Expenses. In addition to and not in limitation of the foregoing, but subject to the Subordination Provisions set forth below and to any limitation imposed by applicable law, the Company agrees to pay all expenses, including reasonable attorneys' fees and legal expenses, incurred by the Originator in seeking to collect any amounts payable hereunder which are not paid when due.

9. Subordination Provisions. The Company covenants and agrees, and the Originator and any other holder of this Company Note (collectively, the Originator and any such other holder are called the "Holder"), by its acceptance of this Company Note, likewise covenants and agrees on behalf of itself and any holder of this Company Note, that the payment of the principal amount of and interest on this Company Note is hereby expressly subordinated in right of payment to the payment and performance of the Senior Interests to the extent and in the manner set forth in the following clauses of this paragraph 9:

(a) No payment or other distribution of the Company's assets of any kind or character, whether in cash, securities, or other rights or property, shall be made on account of this Company Note except to the extent such payment or other distribution is (i) permitted under paragraph 1(n) of Exhibit IV of the Receivables Purchase Agreement or (ii) made pursuant to clause (a) or (b) of paragraph 6 of this Company Note;

(b) In the event of any dissolution, winding up, liquidation, readjustment, reorganization or other similar event relating to the Company, whether voluntary or involuntary, partial or complete, and whether in bankruptcy, insolvency or receivership proceedings, or upon an assignment for the benefit of creditors, or any other marshalling of the assets and liabilities of the Company or any sale of all or substantially all of the assets of the Company other than as permitted by the Purchase and Sale Agreement (such proceedings being herein collectively called "Bankruptcy Proceedings"), the Senior Interests shall first be paid and performed in full and in cash before the Originator shall be entitled to receive and to retain any payment or distribution in respect of this Company Note. In order to implement the foregoing during any Bankruptcy Proceeding: (i) all payments and distributions of any kind or character in respect of this Company Note to which Holder would be entitled except for this clause (b) shall be made directly to the Administrator (for the benefit of the Senior Interest Holders); (ii) Holder shall promptly file a claim or claims, in the form required in any Bankruptcy Proceedings, for the full outstanding amount of this Company Note, and shall use commercially reasonable efforts to cause said claim or claims to be approved and all payments and other distributions in respect thereof to be made directly to the Administrator (for the benefit of the Senior Interest Holders)

until the Senior Interests shall have been paid and performed in full and in cash; and (iii) Holder hereby irrevocably agrees that the Issuer (or the Administrator acting on the Issuer's behalf), in the name of Holder or otherwise, may demand, sue for, collect, receive and receipt for any and all such payments or distributions, and file, prove and vote or consent in any such Bankruptcy Proceedings with respect to any and all claims of Holder relating to this Company Note, in each case until the Senior Interests shall have been paid and performed in full and in cash;

(c) In the event that Holder receives any payment or other distribution of any kind or character from the Company or from any other source whatsoever, in respect of this Company Note, other than as expressly permitted by the terms of this Company Note, such payment or other distribution shall be received in trust for the Senior Interest Holders and shall be turned over by Holder to the Administrator (for the benefit of the Senior Interest Holders) forthwith. Holder will mark its books and records so as clearly to indicate that this Company Note is subordinated in accordance with the terms hereof. All payments and distributions received by the Administrator in respect of this Company Note, to the extent received in or converted into cash, may be applied by the Administrator (for the benefit of the Senior Interest Holders) first to the payment of any and all expenses (including reasonable attorneys' fees and legal expenses) paid or incurred by the Senior Interest Holders in enforcing these Subordination Provisions, or in endeavoring to collect or realize upon this Company Note, and any balance thereof shall, solely as between the Originator and the Senior Interest Holders, be applied by the Administrator (in the order of application set forth in Section 1.4(d)(ii) of the Receivables Purchase Agreement) toward the payment of the Senior Interests; but as between the Company and its creditors, no such payments or distributions of any kind or character shall be deemed to be payments or distributions in respect of the Senior Interests;

(d) Notwithstanding any payments or distributions received by the Senior Interest Holders in respect of this Company Note, while any Bankruptcy Proceedings are pending Holder shall not be subrogated to the then existing rights of the Senior Interest Holders in respect of the Senior Interests until the Senior Interests have been paid and performed in full and in cash. If no Bankruptcy Proceedings are pending, Holder shall only be entitled to exercise any subrogation rights that it may acquire (by reason of a payment or distribution to the Senior Interest Holders in respect of this Company Note) to the extent that any payment arising out of the exercise of such rights would be permitted under paragraph 1(n) of Exhibit IV of the Receivables Purchase Agreement;

(e) These Subordination Provisions are intended solely for the purpose of defining the relative rights of Holder, on the one hand, and the Senior Interest Holders on the other hand. Nothing contained in these Subordination Provisions or elsewhere in this Company Note is intended to or shall impair, as between the Company, its creditors (other than the Senior Interest Holders) and Holder, the Company's obligation, which is unconditional and absolute, to pay Holder the principal of and interest on this Company Note as and when the same shall become due and payable in accordance with the terms hereof or to affect the relative rights of Holder and creditors of the Company (other than the Senior Interest Holders);

(f) Holder shall not, until the Senior Interests have been paid and performed in full and in cash, (i) cancel, waive, forgive, transfer or assign, or commence legal proceedings to enforce or collect, or subordinate to any obligation of the Company, howsoever created,

arising or evidenced, whether direct or indirect, absolute or contingent, or now or hereafter existing, or due or to become due, other than the Senior Interests, this Company Note or any rights in respect hereof or (ii) convert this Company Note into an equity interest in the Company, unless Holder shall have received the prior written consent of the Administrator and the Issuer in each case;

(g) Holder shall not, without the advance written consent of the Administrator and the Issuer, commence, or join with any other Person in commencing, any Bankruptcy Proceedings with respect to the Company until at least one year and one day shall have passed since the Senior Interests shall have been paid and performed in full and in cash;

(h) If, at any time, any payment (in whole or in part) of any Senior Interest is rescinded or must be restored or returned by a Senior Interest Holder (whether in connection with Bankruptcy Proceedings or otherwise), these Subordination Provisions shall continue to be effective or shall be reinstated, as the case may be, as though such payment had not been made;

(i) Each of the Senior Interest Holders may, from time to time, at its sole discretion, without notice to Holder, and without waiving any of its rights under these Subordination Provisions, take any or all of the following actions: (i) retain or obtain an interest in any property to secure any of the Senior Interests; (ii) retain or obtain the primary or secondary obligations of any other obligor or obligors with respect to any of the Senior Interests; (iii) extend or renew for one or more periods (whether or not longer than the original period), alter or exchange any of the Senior Interests, or release or compromise any obligation of any nature with respect to any of the Senior Interests; (iv) amend, supplement, amend and restate, or otherwise modify any Transaction Document; and (v) release its security interest in, or surrender, release or permit any substitution or exchange for all or any part of any rights or property securing any of the Senior Interests, or extend or renew for one or more periods (whether or not longer than the original period), or release, compromise, alter or exchange any obligations of any nature of any obligor with respect to any such rights or property;

(j) Holder hereby waives: (i) notice of acceptance of these Subordination Provisions by any of the Senior Interest Holders; (ii) notice of the existence, creation, non-payment or non-performance of all or any of the Senior Interests; and (iii) all diligence in enforcement, collection or protection of, or realization upon, the Senior Interests, or any thereof, or any security therefor;

(k) Each of the Senior Interest Holders may, from time to time, on the terms and subject to the conditions set forth in the Transaction Documents to which such Persons are party, but without notice to Holder, assign or transfer any or all of the Senior Interests, or any interest therein; and, notwithstanding any such assignment or transfer or any subsequent assignment or transfer thereof, such Senior Interests shall be and remain Senior Interests for the purposes of these Subordination Provisions, and every immediate and successive assignee or transferee of any of the Senior Interests or of any interest of such assignee or transferee in the Senior Interests shall be entitled to the benefits of these Subordination Provisions to the same extent as if such assignee or transferee were the assignor or transferor; and

(1) These Subordination Provisions constitute a continuing offer from the holder of this Company Note to all Persons who become the holders of, or who continue to hold, Senior Interests; and these Subordination Provisions are made for the benefit of the Senior Interest Holders, and the Administrator may proceed to enforce such provisions on behalf of each of such Persons.

10. General. No failure or delay on the part of the Originator in exercising any power or right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such power or right preclude any other or further exercise thereof or the exercise of any other power or right. No amendment, modification or waiver of, or consent with respect to, any provision of this Company Note shall in any event be effective unless (i) the same shall be in writing and signed and delivered by the Company and Holder and (ii) all consents required for such actions under the Transaction Documents shall have been received by the appropriate Persons.

11. Maximum Interest. Notwithstanding anything in this Company Note to the contrary, the Company shall never be required to pay unearned interest on any amount outstanding hereunder and shall never be required to pay interest on the principal amount outstanding hereunder at a rate in excess of the maximum interest rate that may be contracted for, charged or received under applicable federal or state law (such maximum rate being herein called the "Highest Lawful Rate"). If the effective rate of interest which would otherwise be payable under this Company Note would exceed the Highest Lawful Rate, or if the holder of this Company Note shall receive any unearned interest or shall receive monies that are deemed to constitute interest which would increase the effective rate of interest payable by the Company under this Company Note to a rate in excess of the Highest Lawful Rate, then (i) the amount of interest which would otherwise be payable by the Company under this Company Note shall be reduced to the amount allowed by applicable law, and (ii) any unearned interest paid by the Company or any interest paid by the Company in excess of the Highest Lawful Rate shall be refunded to the Company. Without limitation of the foregoing, all calculations of the rate of interest contracted for, charged or received by the Originator under this Company Note that are made for the purpose of determining whether such rate exceeds the Highest Lawful Rate applicable to the Originator (such Highest Lawful Rate being herein called the "Originator's Maximum Permissible Rate") shall be made, to the extent permitted by usury laws applicable to the Originator (now or hereafter enacted), by amortizing, prorating and spreading in equal parts during the actual period during which any amount has been outstanding hereunder all interest at any time contracted for, charged or received by the Originator in connection herewith. If at any time and from time to time (i) the amount of interest payable to the Originator on any date shall be computed at the Originator's Maximum Permissible Rate pursuant to the provisions of the foregoing sentence and (ii) in respect of any subsequent interest computation period the amount of interest otherwise payable to the Originator would be less than the amount of interest payable to the Originator computed at the Originator's Maximum Permissible Rate, then the amount of interest payable to the Originator in respect of such subsequent interest computation period shall continue to be computed at the Originator's Maximum Permissible Rate until the total amount of interest payable to the Originator shall equal the total amount of interest which would have been payable to the Originator if the total amount of interest had been computed without giving effect to the provisions of the foregoing sentence.

12. No Negotiation. This Company Note is not negotiable except that it may be assigned to any Affiliate of the Originator.

13. GOVERNING LAW. THIS COMPANY NOTE HAS BEEN DELIVERED IN THE STATE OF NEW YORK, AND SHALL BE DEEMED TO BE A CONTRACT MADE UNDER AND GOVERNED BY THE INTERNAL LAWS OF THE STATE OF NEW YORK.

14. Captions. Paragraph captions used in this Company Note are for convenience only and shall not affect the meaning or interpretation of any provision of this Company Note.

[signature page follows]

Exhibit B-7

ENERGY SERVICES FUNDING
CORPORATION

By: _____
Name: _____
Title: _____

Exhibit B-8

August 29, 2003

Energy Services Funding Corporation
460 North Gulph Road, Suite 200
King of Prussia, PA 19406-2815

Re: Amended and Restated Fee Letter

Ladies and Gentlemen:

This Amended and Restated Fee Letter (the "Fee Letter") sets forth the fees payable by you in connection with the Receivables Purchase Agreement dated as of November 30, 2001 (such agreement, as now or hereafter amended or otherwise modified from time to time, being the "Receivables Purchase Agreement"), among Energy Services Funding Corporation ("Seller"), UGI Energy Services, Inc., as initial servicer (the "Servicer"), Market Street Funding Corporation ("Issuer") and PNC Bank, National Association ("PNC"), as Administrator. Terms defined in the Receivables Purchase Agreement are used herein as therein defined. This Fee Letter amends and restates that certain fee letter agreement dated November 30, 2001, among the parties hereto. This Fee Letter is the "Fee Letter" referred to in Section 1.5 of the Receivables Purchase Agreement.

Seller agrees to pay, to PNC for Issuer's account (in the case of the fees described in paragraphs (i), (ii) and (iii) below) and for PNC Capital Markets, Inc.'s account (in the case of the fees described in paragraphs (iv), (v) and (vi) below), the following fees:

(i) a "Program Fee" at the per annum rate of 0.50% of the aggregate of the average daily Capital outstanding, each from December 4, 2001 until the later of the Facility Termination Date and the date on which such aggregate Capital outstanding shall have been paid in full, payable in arrears monthly on each Settlement Date (for the Settlement Period immediately preceding such Settlement Date) and on the later of the Facility Termination Date and the date on which such aggregate Capital outstanding shall have been finally paid in full if such date is not a Settlement Date;

(ii) a "Commitment Fee" at the per annum rate of 0.25% of the excess of 102% of the Purchase Limit over the aggregate of the average daily Capital outstanding from December 4, 2001 until the later of the Facility Termination Date and the date on which the such aggregate Capital outstanding shall have been paid in full, payable in arrears monthly on each Settlement Date (for the Settlement Period immediately preceding such Settlement Date) and on the later of the Facility Termination Date and the date on which such aggregate Capital outstanding shall have been paid in full if such date is not a Settlement Date;

(iii) if the average daily Capital outstanding is less than 50% of the Purchase Limit (as determined quarterly in arrears), a quarterly unused fee at the per annum rate of 0.05% of the excess of 102% of the Purchase Limit over the aggregate of the average daily Capital outstanding from the date hereof until the later of the Facility Termination Date and the date on which such aggregate Capital outstanding shall have been paid in full, payable in arrears on the Settlement Date in each January, April, July and October (commencing October 2003) (in the case of the October 2003 payment of such fee, for the period commencing from the date hereof through the end of the quarter immediately preceding such Settlement Date; and in the case of each subsequent payment of such fee, for the quarter immediately preceding such Settlement Date) and on the later of the Facility Termination Date and the date on which such aggregate Capital outstanding shall have been paid in full if such date is not such a Settlement Date;

(iv) a structuring fee in an amount equal to One Hundred Seventy-Five Thousand U.S. Dollars (\$175,000), which fee has previously been paid to PNC;

(v) an administration fee annually in advance in an amount equal to Thirty-Five Thousand U.S. Dollars (\$35,000); and

(vi) an amendment fee in an amount equal to Twenty-Five Thousand U.S. Dollars (\$25,000), payable on the date hereof.

This Fee Letter may be executed by the signatories hereto in several counterparts, each of which shall be deemed to be an original and all of which shall together constitute but one and the same Fee Letter. This Fee Letter shall be governed by, and construed in accordance with the internal laws of the State of New York.

(continued on following page)

Please evidence your agreement to the terms of this Fee Letter by signing the enclosed copy and returning it to the undersigned. Delivery of an executed counterpart of a signature page to this letter agreement shall be effective as delivery of a manually executed counterpart of this Fee Letter.

Very truly yours,

PNC BANK, NATIONAL ASSOCIATION,
as Administrator

By: _____
Name:
Title:

ACKNOWLEDGED AND AGREED TO
as of the date first above written

MARKET STREET FUNDING CORPORATION,
as Issuer

By: _____
Name: _____
Title: _____

Amended and Restated Fee Letter

ACKNOWLEDGED AND AGREED TO
as of the date first above written
ENERGY SERVICES FUNDING CORPORATION

By: _____
Name: _____
Title: _____

UGI ENERGY SERVICES, INC.

By: _____
Name: _____
Title: _____

Amended and Restated Fee Letter

UGI Corporation 2003 Annual Report

FINANCIAL REVIEW

BUSINESS OVERVIEW

UGI Corporation ("UGI") is a holding company that distributes and markets energy products and related services through subsidiaries and joint-venture affiliates. We are a domestic and international distributor of propane; a provider of natural gas and electricity service through regulated local distribution utilities; a generator of electricity through our ownership interests in electric generation facilities; a regional marketer of energy commodities; and a provider of heating and cooling services.

We conduct a national propane distribution business through AmeriGas Partners, L.P. ("AmeriGas Partners") and its principal operating subsidiaries AmeriGas Propane, L.P. ("AmeriGas OLP") and AmeriGas Eagle Propane, L.P. ("Eagle OLP"). At September 30, 2003, UGI, through its wholly owned second-tier subsidiary AmeriGas Propane, Inc. (the "General Partner"), held an approximate 48% effective interest in the Partnership. We refer to AmeriGas Partners and its subsidiaries together as "the Partnership" and the General Partner and its subsidiaries, including the Partnership, as "AmeriGas Propane."

Our natural gas and electric distribution utilities are conducted through UGI Utilities, Inc. ("UGI Utilities"). UGI Utilities owns and operates a natural gas distribution utility ("Gas Utility") in parts of eastern and southeastern Pennsylvania and an electricity distribution utility ("Electric Utility") in northeastern Pennsylvania. Gas Utility and Electric Utility are subject to regulation by the Pennsylvania Public Utility Commission ("PUC").

Our wholly owned subsidiary UGI Enterprises, Inc. ("Enterprises") conducts an energy marketing business primarily in the Eastern region of the United States through its wholly owned subsidiary, UGI Energy Services, Inc. ("Energy Services"). Energy Services' wholly owned subsidiary UGI Development Company ("UGID") and UGID's joint-venture affiliate Hunlock Creek Energy Ventures ("Energy Ventures") own interests in Pennsylvania-based electricity generation assets. UGID's electricity generation assets along with Electric Utility are collectively referred to herein as "Electric Operations." Prior to its transfer to Energy Services in June 2003, UGID was a wholly owned subsidiary of UGI Utilities. Through other subsidiaries, Enterprises (1) owns and operates a propane distribution business in Austria, the Czech Republic and Slovakia ("FLAGA"); (2) owns and operates a heating, ventilation and air-conditioning service business in the Middle Atlantic states ("HVAC"); and (3) participates in propane joint-venture businesses in France ("Antargaz") and in the Nantong region of China.

This Financial Review should be read in conjunction with our Consolidated Financial Statements and Notes to Consolidated Financial Statements including the business segment information included in Note 21.

RESULTS OF OPERATIONS

2003 COMPARED WITH 2002
CONSOLIDATED RESULTS

	2003		2002		Variance - Favorable (Unfavorable)	
	NET INCOME	DILUTED EARNINGS PER SHARE	Net Income	Diluted Earnings Per Share	Net Income	Diluted Earnings Per Share
(Millions of dollars, except per share)						
AmeriGas Propane	\$ 23.2	\$ 0.55	\$ 17.4	\$ 0.42	\$ 5.8	\$ 0.13
Gas Utility	48.0	1.11	36.4	0.87	11.6	0.24
Electric Operations	13.9	0.32	6.1	0.14	7.8	0.18
Energy Services	7.9	0.18	6.5	0.15	1.4	0.03
International Propane	3.6	0.08	7.5	0.18	(3.9)	(0.10)
Corporate & Other	2.3	0.05	1.6	0.04	0.7	0.01
Total	\$ 98.9	\$ 2.29	\$ 75.5	\$ 1.80	\$ 23.4	\$ 0.49

Net income and earnings per share were higher in Fiscal 2003 reflecting the effects of colder heating-season weather in our Gas Utility, Electric Utility and AmeriGas Propane service territories and the effects of acquisitions and other growth initiatives in our electricity generation and Energy Services businesses. This improved performance was partially offset by a decline in FLAGA's Fiscal 2003 results and the absence of income from our debt investments in Antargaz redeemed in July 2002.

FINANCIAL REVIEW (continued)

The following table presents certain financial and statistical information by reportable segment for Fiscal 2003 and Fiscal 2002:

	2003	2002	Increase (Decrease)	
	-----	-----	-----	-----
(Millions of dollars)				
AMERIGAS PROPANE:				
Revenues	\$ 1,628.4	\$ 1,307.9	\$ 320.5	24.5%
Total margin (a)	\$ 718.1	\$ 654.8	\$ 63.3	9.7%
Partnership EBITDA (b)	\$ 234.4	\$ 209.6	\$ 24.8	11.8%
Operating income	\$ 164.5	\$ 145.0	\$ 19.5	13.4%
Retail gallons sold (millions) (c)	1,074.9	987.5	87.4	8.9%
Degree days - % colder (warmer) than normal (d)	0.2%	(10.0)%	-	-
GAS UTILITY:				
Revenues	\$ 539.9	\$ 404.5	\$ 135.4	33.5%
Total margin (a)	\$ 196.9	\$ 162.9	\$ 34.0	20.9%
Operating income	\$ 96.1	\$ 77.1	\$ 19.0	24.6%
Income before income taxes	\$ 80.7	\$ 62.9	\$ 17.8	28.3%
System throughput - billions of cubic feet ("bcf")	83.8	70.5	13.3	18.9%
Degree days - % colder (warmer) than normal	7.0%	(17.4)%	-	-
ELECTRIC OPERATIONS:				
Revenues	\$ 108.1	\$ 86.0	\$ 22.1	25.7%
Total margin (a)	\$ 47.4	\$ 32.8	\$ 14.6	44.5%
Operating income	\$ 25.9	\$ 13.2	\$ 12.7	96.2%
Income before income taxes	\$ 23.6	\$ 10.8	\$ 12.8	118.5%
Distribution sales - millions of kilowatt hours ("gwh")	980.0	933.6	46.4	5.0%
Third-party generation sales - gwh	471.8	24.0	447.8	N.M
ENERGY SERVICES:				
Revenues	\$ 648.7	\$ 332.3	\$ 316.4	95.2%
Total margin (a)	\$ 28.5	\$ 21.4	\$ 7.1	33.2%
Income before income taxes	\$ 13.6	\$ 11.1	\$ 2.5	22.5%
INTERNATIONAL PROPANE:				
Revenues	\$ 54.5	\$ 46.7	\$ 7.8	16.7%
Total margin (a)	\$ 27.1	\$ 24.1	\$ 3.0	12.4%
Operating income	\$ 0.7	\$ 3.9	\$ (3.2)	(82.1)%
Income from equity investees	\$ 5.9	\$ 8.3	\$ (2.4)	(28.9)%
Income before income taxes	\$ 2.5	\$ 8.0	\$ (5.5)	(68.8)%

N.M. - Not meaningful

(a) Total margin represents total revenues less total cost of sales and, with respect to Electric Operations, revenue-related taxes, i.e. Electric Utility gross receipts taxes, of \$4.8 million and \$4.6 million in 2003 and 2002, respectively. For financial statement purposes, revenue-related taxes are included in "taxes other than income taxes" on the Consolidated Statements of Income.

(b) Partnership EBITDA (earnings before interest expense, income taxes, depreciation and amortization) 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) and is not a measure of performance or financial condition under accounting principles generally accepted in the United States of America. Management uses Partnership EBITDA as the primary measure of segment profitability for the AmeriGas Propane segment (see Note 21 to Consolidated Financial Statements).

(c) Retail gallons sold in 2003 include certain bulk gallons previously considered wholesale gallons. Prior-year gallon amounts have been adjusted to conform to the current year classification.

(d) Deviation from average heating degree days based upon national weather statistics provided by the National Oceanic and Atmospheric Administration ("NOAA") for 335 airports in the United States, excluding Alaska.

AMERIGAS PROPANE. Weather based upon heating degree days was essentially normal during Fiscal 2003 compared to weather that was 10.0% warmer than normal in Fiscal 2002. Although temperatures nationwide averaged near normal during Fiscal 2003, our overall results reflect weather that was significantly warmer in the West and generally colder than normal in the East. Retail propane volumes sold increased 87.4 million gallons in Fiscal 2003 due principally to the effects of the colder weather and, to a much lesser extent, volume growth from acquisitions and customer growth. These increases were achieved notwithstanding the effects of price-induced customer conservation and, with respect to commercial and industrial customers, continuing economic weakness.

Retail propane revenues increased \$272.7 million reflecting (1) a \$175.1 million increase due to higher average selling prices and (2) a \$97.6

million increase due to the higher retail volumes sold. Wholesale propane revenues increased \$38.3 million reflecting (1) a \$31.7 million increase due to higher average selling prices and (2) a \$6.6 million increase due to the higher volumes sold. The higher retail and wholesale selling prices reflect significantly higher propane product costs during Fiscal 2003 resulting from, among other things, higher crude oil and natural gas prices and lower propane inventories. Other revenues from ancillary sales and services were \$125.8 million in Fiscal 2003 and \$116.3 million in Fiscal 2002. Total cost of sales increased \$257.2 million reflecting the higher propane product costs and higher volumes sold.

The \$63.3 million increase in total margin is principally due to the higher propane gallons sold and, to a lesser extent, slightly higher average retail propane unit margins. Notwithstanding the previously mentioned significant increase in the commodity price of propane, retail propane unit margins were slightly higher than the prior year reflecting the effects of the higher average selling prices and the benefits of favorable propane product cost management activities. Beginning in Fiscal 2002 and continuing in Fiscal 2003, unit margins associated with the Partnership's Prefilled Propane Xchange program ("PPX(R)") were higher than historical levels reflecting increases in PPX(R) sales prices to fund cylinder valve replacement capital expenditures. These capital expenditures resulted from National Fire Protection Association ("NFPA") guidelines enacted in Fiscal 2002 requiring propane grill cylinders be fitted with overfill protection devices ("OPDs"). The extent to which this level of PPX(R) margin is sustainable in the future will depend upon a number of factors including the continuing rate of OPD valve replacement and competitive market conditions.

Partnership EBITDA increased \$24.8 million in Fiscal 2003 reflecting the previously mentioned increase in total margin and a \$4.6 million increase in other income partially offset by a \$40.6 million increase in Partnership operating and administrative expenses and a \$2.3 million increase in losses associated with early extinguishments of long-term debt. Operating and administrative expenses increased principally due to higher medical and general insurance expenses, higher distribution expenses as a result of the previously mentioned greater retail volumes, and higher incentive compensation and uncollectible accounts expenses. In addition, the Partnership incurred \$3.8 million of costs during Fiscal 2003 associated with a realign-

ment of the Partnership's management structure announced in June 2003. Other income in Fiscal 2003 includes a gain of \$1.1 million from the settlement of certain hedge contracts and greater income from finance charges and asset sales while other income in the prior year was reduced by a \$2.1 million loss from declines in the value of propane commodity option contracts. Operating income in Fiscal 2003 increased less than the increase in Partnership EBITDA due to higher depreciation expense principally associated with PPX(R) partially offset by the previously mentioned increase in losses associated with early extinguishments of long-term debt.

GAS UTILITY. Weather in Gas Utility's service territory based upon heating degree days was 7.0% colder than normal during Fiscal 2003 compared to weather that was 17.4% warmer than normal during Fiscal 2002. The significantly colder weather resulted in higher heating-related sales to firm- residential, commercial and industrial ("retail core-market") customers and, to a lesser extent, greater volumes transported for residential, commercial and industrial delivery service customers. System throughput in Fiscal 2003 also benefited from a year-over-year increase in the number of customers.

Gas Utility revenues increased principally as a result of the previously mentioned greater retail core-market and delivery service volumes and higher average retail core-market purchased gas cost ("PGC") rates resulting from higher natural gas costs. Gas Utility cost of gas was \$343.0 million in Fiscal 2003, an increase of \$101.3 million from the prior year, reflecting the higher retail core-market volumes sold and the higher retail core-market PGC rates.

The increase in Gas Utility total margin principally reflects a \$27.1 million increase in retail core-market total margin due to the higher retail core-market sales and increased margin from greater delivery service volumes.

The increase in Gas Utility operating income principally reflects the increase in total margin partially offset by a \$12.7 million increase in operating and administrative expenses and lower other income. Fiscal 2003 operating and administrative expenses include higher costs associated with litigation-related costs and expenses, greater distribution system maintenance expenses, higher uncollectible accounts expenses and increased incentive compensation costs. Other income declined \$3.2 million principally reflecting a \$2.2 million decrease in pension income and lower interest income on PGC undercollections. The increase in Gas Utility income before income taxes reflects the increase in operating income offset by higher interest expense on PGC overcollections and, beginning July 1, 2003, dividends on preferred shares.

ELECTRIC OPERATIONS. Electric Utility's Fiscal 2003 kilowatt-hour distribution sales increased principally as a result of weather that was 8.4% colder than normal compared to weather that was 14.5% warmer than normal in the prior year.

The higher Electric Operations' revenues reflect greater sales of electricity produced by UGID's electric generation assets to third parties and the previously mentioned increase in Electric Utility kilowatt-hour distribution sales. Prior to September 2002, UGID sold substantially all of the electricity it produced to Electric Utility with the associated revenue and margin eliminated in our consolidated results. Beginning September 2002, Electric Utility began purchasing its power needs exclusively from third-party electricity suppliers under fixed-price energy and capacity contracts and, to a much lesser extent, on the spot market, and UGID began selling electric power produced from its interests in electricity generating facilities to third parties on the spot market. Additionally, the greater Fiscal 2003 UGID sales and revenues reflect UGID's June 26, 2003 purchase of an additional 4.9% (83 megawatt) interest in the Conemaugh electricity generation station located near Johnstown, Pennsylvania ("Conemaugh"). Notwithstanding the significant increase in Electric Operations' revenues, cost of sales increased only \$7.3 million in Fiscal 2003 due in part to lower Electric Utility per-unit purchased power costs.

The increase in Electric Operations' total margin principally reflects lower Electric Utility per-unit purchased power costs, the increase in Electric Utility sales, and margin from the greater sales of electricity produced by UGID's electricity generation assets to third parties. The higher Fiscal 2003 operating income reflects the greater total margin and a \$0.5 million increase in other income partially offset by higher operating and administrative expenses resulting principally from the additional investment in Conemaugh and, to a lesser extent, higher Electric Utility transmission and distribution expenses. The increase in Electric Operations income before income taxes reflects the increase in operating income and slightly lower interest expense.

ENERGY SERVICES. The increase in Energy Services' revenues in Fiscal 2003 resulted from higher natural gas prices and, to a lesser extent, a more than 40% increase in natural gas volumes sold due in large part to the March 2003 acquisition of the northeastern U.S. gas marketing business of TXU Energy Retail Company, L.P., a subsidiary of TXU Energy (the "TXU Energy Acquisition"). The greater Energy Services' Fiscal 2003 total margin reflects the increase in natural gas volumes sold partially offset by slightly lower average unit margins. The increase in total margin was partially offset by higher operating expenses resulting principally from the TXU Energy Acquisition and growth initiatives.

INTERNATIONAL PROPANE. FLAGA's revenues increased \$7.8 million, notwithstanding a 5% decline in volumes sold, primarily reflecting the currency translation effects of a stronger euro and, to a lesser extent, higher average selling prices. Volumes were lower in Fiscal 2003 principally due to the loss of a high-volume, low unit margin customer and, to a lesser extent, price-induced

conservation and continued weak economic activity. The increase in Fiscal 2003 total margin reflects the translation effects of the stronger euro. The decline in FLAGA operating income, notwithstanding the increase in total margin, is substantially the result of the translation effects of the stronger euro on operating and administrative expenses and, to a lesser extent, higher base-currency expenses.

The decline in Fiscal 2003 earnings from our equity investees is principally a result of the July 2002 redemption of our debt investments in AGZ Holdings ("AGZ"), the parent company of Antargaz. Income from our debt investments in AGZ in Fiscal 2002 includes \$0.9 million of interest income and a currency transaction

FINANCIAL REVIEW (continued)

gain of \$1.6 million resulting from the early redemption of this euro-denominated debt in July 2002. Equity income from AGZ in Fiscal 2003 was comparable with Fiscal 2002, notwithstanding a decline in Antargaz' base-currency results, reflecting the effects of the stronger euro. The decline in International Propane income before income taxes reflects the combined decrease in FLAGA operating income and in our income from equity investees offset by slightly lower interest expense.

INTEREST EXPENSE AND INCOME TAXES. Interest expense was \$109.2 million in Fiscal 2003 compared to \$109.1 million in Fiscal 2002 as slightly higher UGI Utilities interest expense was partially offset by slightly lower Partnership interest expense. The Company's effective income tax rate was 37.8% in Fiscal 2003 and Fiscal 2002.

2002 COMPARED WITH 2001 CONSOLIDATED RESULTS

	2002		2001		Variance - Favorable (Unfavorable)	
	Net Income	Diluted Earnings Per Share	Net Income (Loss)	Diluted Earnings (Loss) Per Share	Net Income (Loss)	Diluted Earnings (Loss) Per Share
(Millions of dollars, except per share)						
AmeriGas Propane	\$ 17.4	\$ 0.42	\$ 13.5	\$ 0.33	\$ 3.9	\$ 0.09
Gas Utility	36.4	0.87	41.9	1.02	(5.5)	(0.15)
Electric Operations	6.1	0.14	4.7	0.11	1.4	0.03
Energy Services	6.5	0.15	4.0	0.10	2.5	0.05
International Propane	7.5	0.18	(4.4)	(0.11)	11.9	0.29
Corporate & Other (a)	1.6	0.04	(7.7)	(0.18)	9.3	0.22
Changes in accounting (b)	-	-	4.5	0.11	(4.5)	(0.11)
Total (c)	\$ 75.5	\$ 1.80	\$ 56.5	\$ 1.38	\$ 19.0	\$ 0.42

(a) Net loss in Fiscal 2001 includes after-tax shut-down costs of \$5.5 million or \$0.13 per share associated with Hearth USA(TM) (see Note 16 to Consolidated Financial Statements) and a \$1.2 million loss or \$0.03 per share associated with the write-down of an investment in a business-to-business e-commerce company.

(b) Fiscal 2001 amounts include cumulative effect of accounting changes associated with (1) the Partnership's changes in accounting for tank fee revenue and tank installation costs and (2) the Company's adoption of SFAS 133 (see Note 15 to Consolidated Financial Statements).

(c) Results for Fiscal 2002 reflect the elimination of goodwill amortization resulting from the adoption of Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets." Pro Forma net income and diluted earnings per share for Fiscal 2001 as if the adoption of SFAS 142 had occurred as of October 1, 2000 is \$70.5 million and \$1.72, respectively. For a detailed discussion of SFAS 142 and its impact on the Company's results, see Note 1 to Consolidated Financial Statements.

Although significantly warmer than normal weather negatively affected UGI Utilities' and AmeriGas Propane's Fiscal 2002 operating results, our Fiscal 2002 net income and earnings per share increased more than 30%. The increase in net income reflects the elimination of goodwill amortization as a result of the adoption of SFAS 142, a significant increase in income from our International Propane businesses, and the benefit of higher growth-related earnings from our Energy Services business. In addition, results in Fiscal 2001 were negatively impacted by operating losses and shut-down costs associated with Hearth USA(TM).

The following table presents certain financial and statistical information by reportable segment for Fiscal 2002 and Fiscal 2001:

	2002	2001	Increase (Decrease)	
	-----	-----	-----	
(Millions of dollars)				
AMERIGAS PROPANE:				
Revenues	\$ 1,307.9	\$ 1,418.4	\$ (110.5)	(7.8)%
Total margin	\$ 654.8	\$ 571.4	\$ 83.4	14.6%
Partnership EBITDA	\$ 209.6	\$ 220.3	\$ (10.7)	(4.9)%
Operating income	\$ 145.0	\$ 133.8	\$ 11.2	8.4%
Retail gallons sold (millions) (a)	987.5	866.8	120.7	13.9%
Degree days - % colder (warmer) than normal	(10.0)%	2.6%	-	-
GAS UTILITY:				
Revenues	\$ 404.5	\$ 500.8	\$ (96.3)	(19.2)%
Total margin	\$ 162.9	\$ 177.9	\$ (15.0)	(8.4)%
Operating income	\$ 77.1	\$ 87.8	\$ (10.7)	(12.2)%

Income before income taxes	\$	62.9	\$	71.5	\$	(8.6)	(12.0)%
System throughput - bcf		70.5		77.3		(6.8)	(8.8)%
Degree days - % colder (warmer) than normal		(17.4)%		2.0%		-	-

ELECTRIC OPERATIONS:

Revenues	\$	86.0	\$	83.9	\$	2.1	2.5%
Total margin (b)	\$	32.8	\$	28.6	\$	4.2	14.7%
Operating income	\$	13.2	\$	10.7	\$	2.5	23.4%
Income before income taxes	\$	10.8	\$	8.0	\$	2.8	35.0%
Distribution sales - gwh		933.6		945.5		(11.9)	(1.3)%
Third-party generation sales - gwh		24.0		-		24.0	N.M.

ENERGY SERVICES:

Revenues	\$	332.3	\$	370.7	\$	(38.4)	(10.4)%
Total margin	\$	21.4	\$	13.4	\$	8.0	59.7%
Operating income	\$	11.1	\$	7.3	\$	3.8	52.1%
Income before income taxes	\$	11.1	\$	6.9	\$	4.2	60.9%

INTERNATIONAL PROPANE:

Revenues	\$	46.7	\$	50.9	\$	(4.2)	(8.3)%
Total margin	\$	24.1	\$	22.5	\$	1.6	7.1%
Operating income	\$	3.9	\$	0.8	\$	3.1	387.5%
Income (loss) from equity investees	\$	8.3	\$	(1.5)	\$	9.8	N.M.
Income before income taxes	\$	8.0	\$	(5.6)	\$	13.6	N.M.

N.M. - Not meaningful

(a) Retail gallons sold in 2002 and 2001 have been adjusted to include certain bulk gallons previously considered wholesale gallons.

(b) Electric Operations total margin represents total revenues less cost of sales and Electric Utility gross receipts taxes of \$4.6 million and \$3.4 million in 2002 and 2001, respectively.

AMERIGAS PROPANE. The Partnership's Fiscal 2002 operating results were negatively impacted by significantly warmer than normal heating-season weather. Fiscal 2002 temperatures based upon heating degree day data provided by NOAA were approximately 10.0% warmer than normal and 12.3% warmer than Fiscal 2001. Notwithstanding the impact of the warmer weather on heating-related sales and the effects of a sluggish U.S. economy on commercial sales, retail gallons sold increased 120.7 million gallons principally as a result of the full-

year effect of the Partnership's August 21, 2001 acquisition of Columbia Propane and, to a much lesser extent, greater volumes from our PPX(R) grill cylinder exchange business. The increase in PPX(R) sales principally reflects the effect on Fiscal 2002 grill cylinder exchanges resulting from the previously mentioned NFPA guidelines requiring grill cylinders be fitted with OPDs and, to a lesser extent, the full-year effects of Fiscal 2001 increases in the number of PPX(R) distribution outlets.

Retail propane revenues were \$1,102.8 million in Fiscal 2002, a decrease of \$44.5 million from Fiscal 2001, reflecting a \$204.3 million decrease as a result of lower average selling prices partially offset by a \$159.8 million increase as a result of the greater retail volumes sold. Wholesale propane revenues were \$88.8 million in Fiscal 2002, a decrease of \$86.8 million, reflecting a \$50.2 million decrease due to lower average selling prices and a \$36.6 million decrease as a result of lower wholesale volumes sold. The lower Fiscal 2002 retail and wholesale selling prices resulted from lower Fiscal 2002 propane product costs. Revenues from other sales and services increased \$20.8 million primarily due to the full-year impact of the Columbia Propane acquisition. Total cost of sales declined \$193.9 million in Fiscal 2002 reflecting lower average propane product costs and the lower wholesale sales partially offset by the higher retail gallons sold.

Total margin increased \$83.4 million reflecting the full-year volume impact of the Columbia Propane acquisition and a \$25.5 million increase in total margin from PPX(R) reflecting higher volumes and unit margins. PPX(R) propane unit margins in Fiscal 2002 were higher than in Fiscal 2001 reflecting increases in sales prices to fund OPD valve replacement capital expenditures on out-of-compliance grill cylinders.

Partnership EBITDA increased \$1.8 million (excluding the \$12.5 million cumulative effect of the Partnership's changes in accounting for tank fee revenue and tank installation costs and the adoption of SFAS 133 in Fiscal 2001) as the significant increase in total margin was substantially offset by a \$78.9 million increase in Partnership operating and administrative expenses and a decrease in other income. EBITDA of PPX(R) increased approximately \$21 million in Fiscal 2002 partially offsetting the effects of the significantly warmer winter weather on our heating-related volumes. The greater operating and administrative expenses in Fiscal 2002 resulted primarily from the full-year impact of the Columbia Propane acquisition and higher volume-driven PPX(R) expenses. During Fiscal 2002, the Partnership completed its planned blending of 90 Columbia Propane distribution locations with existing AmeriGas Propane locations. As a result of these district consolidations and other cost reduction activities, management believes that by September 30, 2002 it achieved its anticipated \$24 million reduction in annualized operating cost savings subsequent to the acquisition of Columbia Propane. Operating income increased \$11.2 million principally due to the cessation of goodwill amortization in Fiscal 2002 as a result of the adoption of SFAS 142 partially offset by higher depreciation and intangible asset amortization associated with Columbia Propane and higher PPX(R) depreciation. Fiscal 2001 operating income includes \$23.8 million of goodwill amortization.

GAS UTILITY. Weather in Gas Utility's service territory during Fiscal 2002 based upon heating degree days was 17.4% warmer than normal compared to weather that was 2.0% colder than normal in Fiscal 2001. As a result of the significantly warmer weather and the effects of a weak economy on commercial and industrial natural gas usage, distribution system throughput declined 8.8%.

The \$96.3 million decrease in Fiscal 2002 Gas Utility revenue reflects the impact of lower PGC rates, resulting from the pass through of lower natural gas costs to retail core-market customers, and the lower distribution system throughput. Gas Utility cost of gas was \$241.7 million in Fiscal 2002 compared to \$322.9 million in Fiscal 2001 reflecting lower natural gas costs and the decline in retail core-market throughput in Fiscal 2002.

The decline in Gas Utility margin principally reflects a \$6.0 million decline in retail core-market margin due to the lower sales; a \$6.6 million decline in interruptible margin due principally to the flowback of certain interruptible customer margin to retail core-market customers beginning December 1, 2001 pursuant to the Gas Restructuring Order; and lower firm delivery service total margin due to lower delivery service volumes. Interruptible customers are those who have the ability to switch to alternate fuels.

Gas Utility operating income declined \$10.7 million in Fiscal 2002 reflecting the previously mentioned decline in total margin and a decrease in pension income partially offset by lower operating expenses. Operating expenses declined \$4.1 million primarily as a result of lower charges for uncollectible accounts and lower distribution system expenses. Depreciation expense declined \$1.2 million due to a change effective April 1, 2002 in the estimated useful lives of Gas Utility's natural gas distribution assets resulting from an asset life study required by the PUC. The decline in Gas Utility income before income taxes reflects the decrease in operating income offset by lower interest expense resulting from lower levels of UGI Utilities bank loans outstanding and lower short-term interest rates.

ELECTRIC OPERATIONS. The decline in Electric Utility kilowatt-hour sales in Fiscal 2002 reflects the effects on heating-related sales of significantly warmer winter weather partially offset by the beneficial effect on air conditioning sales of warmer summer weather. Notwithstanding the decrease in total kilowatt-hour sales, revenues increased \$2.1 million principally due to an increase in state tax surcharge revenue and greater third-party sales of electricity produced by UGID's electric generation facilities. Electric Operations cost of sales was \$48.6 million in Fiscal 2002 compared to \$51.9

million in Fiscal 2001 principally reflecting the impact of the lower sales and lower purchased power unit costs partially offset by the full-period increase in cost of sales resulting from the December 2000 transfer of our Hunlock Creek electricity generation assets to our electricity generation joint venture, Energy Ventures. Subsequent to the formation of Energy Ventures, our electricity generating business purchases its share of the power produced by Energy Ventures rather than producing this electricity itself. As a result, the purchased cost of this power is reflected in cost of sales whereas prior to the formation of Energy Ventures electricity generation costs were reflected in operating and administrative expenses.

Electric Operations total margin increased \$4.2 million in Fiscal 2002 as a result of lower purchased power unit costs partially offset by the warmer winter weather-driven decline in sales. Operating income increased \$2.5 million reflecting the

FINANCIAL REVIEW (continued)

greater total margin and lower operating and administrative costs subsequent to the formation of Energy Ventures partially offset by a decline in other income. The increase in Electric Operations income before income taxes reflects the increase in operating income and lower interest expense.

ENERGY SERVICES. Revenues from Energy Services declined \$38.4 million, notwithstanding a 27% increase in natural gas volumes sold, reflecting significantly lower natural gas prices. Total margin increased principally as a result of the acquisition of the energy marketing businesses of PG Energy in July 2001, income from providing winter storage services and higher average unit margins. The increase in total margin was partially offset by higher operating expenses subsequent to the PG Energy acquisition. The increase in Energy Services income before income taxes reflects the increase in operating income and the absence of interest expense on debt under its financing agreement with UGI that was repaid in Fiscal 2002.

INTERNATIONAL PROPANE. FLAGA's revenues in Fiscal 2002 were lower than in the prior year as a result of lower average selling prices reflecting lower average propane product costs. Weather based upon heating degree days was approximately 10% warmer than normal in Fiscal 2002 compared to weather that was 12% warmer than normal in Fiscal 2001. The increase in FLAGA's total margin reflects higher average unit margins principally as a result of declining propane product costs. FLAGA's operating results also benefited from lower operating expenses, principally reduced payroll costs, and a \$1.2 million decrease in goodwill amortization resulting from the adoption of SFAS 142.

The significant increase in income from our international propane joint ventures in Fiscal 2002 principally reflects the full-year benefits from our debt and equity investments in AGZ Holdings acquired on March 27, 2001. Operating results of Antargaz in Fiscal 2002 benefited from higher than normal unit margins, principally as a result of lower propane product costs, and the elimination of goodwill amortization effective April 1, 2002. In addition, income from our debt investments in AGZ in Fiscal 2002 includes \$0.9 million of interest income and a currency transaction gain of \$1.6 million resulting from AGZ's early redemption of this euro-denominated debt in July 2002. Loss from International Propane joint ventures in Fiscal 2001 includes a loss of \$1.1 million from the write-off of our propane joint-venture investment located in Romania. The increase in International Propane income before income taxes reflects the combined increase in FLAGA operating income and in our income from equity investees and lower interest expense resulting from lower short-term interest rates.

INTEREST EXPENSE AND INCOME TAXES. The increase in interest expense principally reflects higher Partnership long-term debt outstanding resulting from the Columbia Propane acquisition partially offset by lower levels of UGI Utilities and Partnership bank loans outstanding and lower short-term interest rates. The lower effective income tax rate in Fiscal 2002 principally reflects the elimination of nondeductible goodwill amortization resulting from the adoption of SFAS 142 and greater equity income from Antargaz.

FINANCIAL CONDITION AND LIQUIDITY

CAPITALIZATION AND LIQUIDITY

Total cash, cash equivalents and short-term investments were \$192.1 million at September 30, 2003 compared with \$194.3 million at September 30, 2002. These amounts include \$116.3 million and \$114.0 million, respectively, of cash, cash equivalents and short-term investments held by UGI.

The primary sources of UGI's cash and short-term investments are the cash dividends it receives from its principal operating subsidiaries AmeriGas, Inc., UGI Utilities and, to a lesser extent, Enterprises. AmeriGas, Inc.'s ability to pay dividends to UGI is largely dependent upon distributions it receives from AmeriGas Partners. At September 30, 2003, our approximate 48% effective ownership interest in the Partnership consisted of 24.5 million Common Units and a 2% general partner interest. Approximately 45 days after the end of each fiscal quarter, the Partnership distributes all of its Available Cash (as defined in the Second Amended and Restated Agreement of Limited Partnership of AmeriGas Partners, the "Partnership Agreement") relating to such fiscal quarter. Since its formation in 1995, the Partnership has paid the Minimum Quarterly Distribution of \$0.55 ("MQD") on all limited partner units outstanding. The amount of Available Cash needed annually to pay the MQD on all units and the general partner interests in Fiscal 2003, 2002 and 2001 was approximately \$112 million, \$109 million and \$99 million, respectively. Based upon the number of Partnership units outstanding on September 30, 2003, the amount of Available Cash needed annually to pay the MQD on all units and the general partner interests is approximately \$117 million. The ability of the Partnership to pay the MQD on all units depends upon a number of factors. These factors include (1) the level of Partnership earnings; (2) the cash needs of the Partnership's operations (including cash needed for maintaining and increasing operating capacity); (3) changes in operating working capital; and (4) the ability of the Partnership to borrow under its Credit Agreement, to refinance maturing debt and to increase its long-term debt. Some of these factors are affected by conditions beyond our control including weather, competition in markets we serve, the cost of propane and changes in capital market conditions.

During Fiscal 2003, 2002 and 2001, AmeriGas, Inc., UGI Utilities and Enterprises paid cash dividends to UGI as follows:

Year Ended September 30,	2003	2002	2001
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(Millions of dollars)

AmeriGas, Inc.	\$ 44.7	\$ 49.4	\$ 41.0
UGI Utilities	33.9	37.9	35.3
Enterprises	7.1	23.6(a)	-
Total dividends to UGI	\$ 85.7	\$ 110.9	\$ 76.3

(a) Includes \$17.0 of the proceeds related to the redemption of AGZ Bonds.

Dividends received by UGI are available to pay dividends on UGI Common Stock and for investment purposes.

On January 28, 2003, UGI's Board of Directors approved a 3-for-2 split of UGI's Common Stock. On April 1, 2003, UGI issued one additional common share for every two common shares outstanding to shareholders of record on February 28,

2003. Also on January 28, 2003, UGI's Board of Directors approved an increase in the quarterly dividend rate on UGI Common Stock to \$0.285 per post-split share, or \$1.14 per post-split share on an annual basis, commencing April 1, 2003.

AMERIGAS PARTNERS. The Partnership's debt outstanding at September 30, 2003 totaled \$927.3 million. There were no amounts outstanding under AmeriGas OLP's Credit Agreement at September 30, 2003.

AmeriGas OLP's Credit Agreement expires on October 15, 2006 and consists of (1) a \$100 million Revolving Credit Facility and (2) a \$75 million Acquisition Facility. The Revolving Credit Facility may be used for working capital and general purposes of AmeriGas OLP. The Acquisition Facility provides AmeriGas OLP with the ability to borrow up to \$75 million to finance the purchase of propane businesses or propane business assets or, to the extent it is not so used, may be used for working capital and general purposes. Issued and outstanding letters of credit under the Revolving Credit Facility, which reduce the amount available for borrowings, totaled \$33.4 million at September 30, 2003. AmeriGas OLP's short-term borrowing needs are seasonal and are typically greatest during the fall and winter heating-season months due to the need to fund higher levels of working capital.

AmeriGas OLP also has a credit agreement with the General Partner to borrow up to \$20 million on an unsecured, subordinated basis, for working capital and general purposes. UGI has agreed to contribute up to \$20 million to the General Partner to fund such borrowings.

AmeriGas Partners periodically issues debt and equity securities and expects to continue to do so. It has effective debt and equity shelf registration statements with the U.S. Securities and Exchange Commission ("SEC") under which it may issue up to an additional (1) \$28 million principal amount of 8.875% Senior Notes due 2011, (2) 1.4 million AmeriGas Partners Common Units and (3) up to \$500 million of debt or equity pursuant to an unallocated shelf registration statement.

AmeriGas OLP must maintain certain financial ratios in order to borrow under its Credit Agreement including a minimum interest coverage ratio and a maximum debt to EBITDA ratio, as defined. AmeriGas OLP's ratios calculated as of September 30, 2003 permit it to borrow up to the maximum amount available. For a more detailed discussion of the Partnership's credit facilities, see Note 4 to Consolidated Financial Statements. Based upon existing cash balances, cash expected to be generated from operations, borrowings available under its Credit Agreement, and the expected refinancing of its maturing long-term debt, the Partnership's management believes that the Partnership will be able to meet its anticipated contractual commitments and projected cash needs during Fiscal 2004.

UGI UTILITIES. UGI Utilities' total debt outstanding was \$258.0 million at September 30, 2003. Included in this amount is \$40.7 million under revolving credit agreements.

UGI Utilities has revolving credit commitments under which it may borrow up to a total of \$107 million. These agreements are currently scheduled to expire in June 2005 and 2006. The revolving credit agreements have restrictions on such items as total debt, debt service and payments for investments. At September 30, 2003, UGI Utilities was in compliance with these covenants. UGI Utilities has a shelf registration statement with the SEC under which it may issue up to an additional \$40 million of Medium-Term Notes or other debt securities. Based upon cash expected to be generated from Gas Utility and Electric Utility operations and borrowings available under revolving credit agreements, management believes that UGI Utilities will be able to meet its anticipated contractual and projected cash commitments during Fiscal 2004. For a more detailed discussion of UGI Utilities' long-term debt and revolving credit facilities, see Note 4 to Consolidated Financial Statements.

ENERGY SERVICES. Energy Services has a \$100 million receivables purchase facility ("Receivables Facility") with an issuer of receivables-backed commercial paper expiring on August 26, 2006, although the Receivables Facility may terminate prior to such date due to the termination of the commitments of the Receivables Facility back-up purchasers. Under the Receivables Facility, Energy Services transfers, on an ongoing basis and without recourse, its trade accounts receivable to its wholly owned, special purpose subsidiary, Energy Services Funding Corporation ("ESFC"), which is consolidated for financial statement purposes. ESFC, in turn, has sold, and subject to certain conditions, may from time to time sell, an undivided interest in the receivables to a commercial paper conduit of a major bank. The maximum level of funding available at any one time from this facility is \$100 million. The proceeds of these sales are less than the face amount of the accounts receivable sold by an amount that approximates the purchaser's financing cost of issuing its own receivables-backed commercial paper. ESFC was created and has been structured to isolate its assets from creditors of Energy Services and its affiliates, including UGI. This two-step transaction is accounted for as a sale of receivables following the provisions of SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." Energy Services continues to service, administer and collect trade receivables on behalf of the commercial paper issuer and ESFC. At September 30, 2003, the outstanding balance of ESFC receivables was \$38.5 million which amount is net of \$17 million in trade receivables sold to the commercial paper conduit. Based upon cash expected to be generated from operations and borrowings available under its Receivables Facility, management believes that Energy Services will be able to meet its anticipated contractual and projected cash commitments during Fiscal 2004.

In addition, a major bank has committed to issue up to \$50 million of

standby letters of credit, secured by cash or marketable securities ("LC Facility"). Energy Services expects to fund the collateral requirements with borrowings under its Receivables Facility. The LC Facility expires on September 13, 2004.

FLAGA. FLAGA has a 15 million euro working capital loan commitment from a European bank expiring in November 2004. Borrowings under the working capital facility totaled 13.6 million euro (\$15.9 million U.S. dollar equivalent) at September 30, 2003. Debt issued under this agreement, as well as \$73.1 million of acquisition and special purpose debt of FLAGA, are subject to guarantees of UGI. For a more detailed discussion of FLAGA's debt, see Note 4 to Consolidated Financial Statements.

FINANCIAL REVIEW (continued)

FLAGA's management expects to repay long-term debt maturing in Fiscal 2004 of \$5.7 million principally through cash generated from operations and capital contributions from UGI.

CASH FLOWS

OPERATING ACTIVITIES. Due to the seasonal nature of the Company's businesses, cash flows from operating activities are generally strongest during the second and third fiscal quarters when customers pay for natural gas, propane and electricity consumed during the heating season months. Conversely, operating cash flows are generally at their lowest levels during the first and fourth fiscal quarters when the Company's investment in working capital, principally inventories and accounts receivable, is generally greatest. The Company's major business units use revolving credit facilities, or in the case of Energy Services its Receivables Facility, to satisfy their seasonal operating cash flow needs. Cash flow from operating activities was \$249.1 million in Fiscal 2003, \$247.5 million in Fiscal 2002, and \$203.5 million in Fiscal 2001. Cash flow from operating activities before changes in operating working capital was \$256.3 million in Fiscal 2003, \$233.7 million in Fiscal 2002, and \$179.8 million in Fiscal 2001. Changes in operating working capital used \$7.2 million of cash in Fiscal 2003, and provided \$13.8 million and \$23.7 million of cash in Fiscal 2002 and Fiscal 2001, respectively. Cash needed to fund Fiscal 2003 increases in accounts receivable and inventories resulting from higher natural gas and propane commodity prices was substantially offset by cash provided from changes in accounts payable, Gas Utility fuel cost overcollections, and accrued income taxes.

INVESTING ACTIVITIES. Cash flow used in investing activities was \$226.1 million in Fiscal 2003, \$66.4 million in Fiscal 2002, and \$313.3 million in Fiscal 2001. Investing activity cash flow is principally affected by capital expenditures and investments in property, plant and equipment, cash paid for acquisitions of businesses, investments in and distributions from our equity investees, and proceeds from sales of assets. During Fiscal 2003, we spent \$100.9 million for property, plant and equipment, an increase of \$6.2 million from Fiscal 2002, principally reflecting higher Gas Utility and FLAGA capital expenditures. Cash paid for business acquisitions in Fiscal 2003 principally reflects Partnership business acquisitions and Energy Services' TXU Energy Acquisition. Additionally, during Fiscal 2003 the Company purchased an additional 4.9% interest in Conemaugh for \$51.3 million and received a cash dividend from AGZ of \$5.6 million. Also during Fiscal 2003, UGI invested \$50 million of its cash and cash equivalents in short-term investments.

FINANCING ACTIVITIES. Cash flow used by financing activities was \$75.3 million in Fiscal 2003 and \$74.3 million in Fiscal 2002 compared to cash flow provided by financing activities of \$103.7 million in Fiscal 2001. Financing activity cash flow changes are primarily due to issuances and repayments of long-term debt, net borrowings under revolving credit facilities, dividends and distributions on UGI Common Stock and AmeriGas Partners Common Units, and proceeds from public offerings of AmeriGas Partners Common Units and issuances of UGI Common Stock.

In June 2003, AmeriGas Partners sold 2.9 million Common Units in an underwritten public offering at a public offering price of \$27.12 per unit. The net proceeds of the public offering totaling \$75.0 million, and associated capital contributions from the General Partner totaling \$1.5 million, were contributed to AmeriGas OLP and used to reduce indebtedness under its bank credit agreement and for general partnership purposes. The underwriters' overallotment option expired unexercised. Concurrent with this sale of Common Units, the Company recorded a gain in the amount of \$22.6 million, which is reflected as an increase in common stockholders' equity, in accordance with the guidance in SEC Staff Accounting Bulletin, No. 51, "Accounting for Sales of Common Stock by a Subsidiary" ("SAB 51"). The gain had no effect on the Company's net income or cash flow.

The Partnership also completed a number of debt transactions during Fiscal 2003. In December 2002, AmeriGas Partners issued \$88 million face amount of 8.875% Senior Notes due 2011 at an effective interest rate of 8.30%. The net proceeds of \$89.1 million were used in January 2003 to redeem prior to maturity AmeriGas Partners' \$85 million face amount of 10.125% Senior Notes due April 2007 at a redemption price of 102.25%, plus accrued interest. The Company recognized a pre-tax loss, net of minority interests, of \$1.5 million relating to the redemption premium and other associated costs and expenses. In April 2003, AmeriGas OLP repaid \$53.8 million of maturing First Mortgage Notes. In conjunction with this repayment, in April 2003 AmeriGas Partners issued \$32 million face amount of 8.875% Senior Notes due 2011 at an effective interest rate of 7.72% and contributed the net proceeds of \$33.7 million, including debt premium, to AmeriGas OLP.

In August 2003, UGI Utilities issued \$25 million of ten-year notes at an interest rate of 5.37% and \$20 million of 30-year notes at an interest rate of 6.50% under its Medium-Term Note program. The net proceeds along with existing cash balances were used to repay \$50 million of 6.50% Senior Notes that matured in August 2003.

During Fiscal 2003 we paid cash dividends on UGI Common Stock of \$47.7 million and the Partnership paid the MQD on all limited partner units. The increase in cash flow from the issuance of UGI Common Stock in Fiscal 2003 is principally the result of greater employee stock option exercise activity.

CONVERSION OF AMERIGAS PARTNERS SUBORDINATED UNITS

In December 2002, the General Partner determined that the cash-based performance

and distribution requirements for the conversion of the then-remaining 9,891,072 Subordinated Units of AmeriGas Partners, all of which were held by the General Partner, had been met in respect of the quarter ended September 30, 2002. As a result, in accordance with the Second Amended and Restated Agreement of Limited Partnership of AmeriGas Partners, L.P., the Subordinated Units were converted to an equivalent number of Common Units effective November 18, 2002. Concurrent with the Subordinated Unit conversion, the Company recorded a \$157.0 million increase in common stockholders' equity, and a corresponding decrease in minority interests in AmeriGas Partners, associated with gains from sales of Common Units by AmeriGas Partners in conjunction with, and subsequent to, the Partnership's April 19, 1995 initial public offering. These gains

were determined in accordance with the guidance in SAB 51. The gains resulted because the public offering prices of the AmeriGas Partners Common Units exceeded the associated carrying amount of our investment in the Partnership on the dates of their sale. Due to the preference nature of the Common Units, the Company was precluded from recording these gains until the Subordinated Units converted to Common Units. No deferred income taxes were recorded on these gains due to the Company's intent to hold its investment in the Partnership indefinitely. The changes to the Company's balance sheet resulting from the Subordinated Unit conversion had no effect on the Company's net income or cash flow and did not result in an increase in the number of AmeriGas Partners limited partner units outstanding.

UGI UTILITIES PENSION PLAN

UGI Utilities sponsors a defined benefit pension plan ("Pension Plan") for employees of UGI Utilities, UGI, and certain of UGI's other subsidiaries. During Fiscal 2002 and 2001, the market value of plan assets was negatively affected by declines in the equity markets. Equity market performance improved in Fiscal 2003 and, as a result, the fair value of Pension Plan assets increased to \$183.9 million at September 30, 2003 compared to \$166.1 million at September 30, 2002. At September 30, 2003 and 2002, the Pension Plan's assets exceeded its accumulated benefit obligations by \$7.3 million and \$7.2 million, respectively. The Company is in full compliance with regulations governing defined benefit pension plans, including ERISA rules and regulations, and does not anticipate it will be required to make a contribution to the Pension Plan in Fiscal 2004. Pre-tax pension income reflected in Fiscal 2003, 2002 and 2001 results was \$1.1 million, \$4.0 million and \$5.9 million, respectively. The decrease in pension income during this period reflects the significant declines in the market value of Pension Plan assets and decreases in the discount rate assumption. Pension expense in Fiscal 2004 is expected to be approximately \$1.2 million compared to pension income of \$1.1 million in Fiscal 2003 due to decreases in the discount rate and expected return on Pension Plan assets assumptions.

CAPITAL EXPENDITURES

In the following table, we present capital expenditures (which include expenditures for capital leases but exclude acquisitions) by business segment for Fiscal 2003, 2002 and 2001. We also provide amounts we expect to spend in Fiscal 2004. We expect to finance Fiscal 2004 capital expenditures principally from cash generated by operations and borrowings under our credit facilities.

Year Ended September 30,	2004	2003	2002	2001
- - - - -	- - - - -	- - - - -	- - - - -	- - - - -
(Millions of dollars)	(estimate)			
AmeriGas Propane	\$ 58.1	\$ 53.4	\$ 53.5	\$ 39.2
Gas Utility	38.0	37.2	31.0	31.8
Electric Operations	4.9	4.1	4.9	5.0
Energy Services	1.3	1.0	0.9	0.2
International Propane	4.2	4.5	3.9	2.7
Other	1.0	1.2	0.5	0.4
	- - - - -	- - - - -	- - - - -	- - - - -
Total	\$ 107.5	\$ 101.4	\$ 94.7	\$ 79.3
	- - - - -	- - - - -	- - - - -	- - - - -

CONTRACTUAL CASH OBLIGATIONS AND COMMITMENTS

The Company has certain contractual cash obligations that extend beyond Fiscal 2003 including scheduled repayments of long-term debt and UGI Utilities preferred shares subject to mandatory redemption, operating lease payments and unconditional purchase obligations for pipeline capacity, pipeline transportation and natural gas storage services, and commitments to purchase natural gas, propane and electricity. The following table presents significant contractual cash obligations under agreements existing as of September 30, 2003 (in millions).

	Payments Due by Period				
	Total	less than 1 year	2 - 3 years	4 - 5 years	After 5 years
- - - - -	- - - - -	- - - - -	- - - - -	- - - - -	- - - - -
Long-term debt	\$1,207.2	\$ 61.9	\$307.9	\$132.8	\$704.6
UGI Utilities preferred shares subject to mandatory redemption	20.0	-	2.0	2.0	16.0
Operating leases	189.3	40.1	63.0	43.3	42.9
AmeriGas Propane supply contracts	16.7	16.7	-	-	-
Energy Services supply contracts	510.4	435.3	73.7	1.4	-
Gas Utility and Electric Utility supply, storage and service contracts	406.9	157.1	136.0	39.8	74.0
	- - - - -	- - - - -	- - - - -	- - - - -	- - - - -
Total	\$2,350.5	\$711.1	\$582.6	\$219.3	\$837.5
	- - - - -	- - - - -	- - - - -	- - - - -	- - - - -

RELATED PARTY TRANSACTIONS

During Fiscal 2003, 2002 and 2001, the Company did not enter into any related party transactions that had a material effect on its financial condition or results of operations.

OFF-BALANCE SHEET ARRANGEMENTS

We lease various buildings and other facilities and transportation, computer and office equipment. We account for these arrangements as operating leases. These off-balance sheet arrangements enable us to lease facilities and equipment from third parties rather than, among other options, purchasing the equipment and facilities using on-balance sheet financing. For a summary of scheduled future payments under these lease arrangements, see "Contractual Cash Obligations and Commitments."

UTILITY REGULATORY MATTERS

As a result of Pennsylvania's Natural Gas Choice and Competition Act ("Gas Competition Act") signed into law on June 22, 1999, all natural gas consumers in Pennsylvania have the ability to purchase their gas supplies from the supplier of their choice. Under the Gas Competition Act, local gas distribution companies ("LDCs") like Gas Utility may continue to sell gas to customers, and such sales of gas, as well as distribution services provided by LDCs, continue to be subject to rate regulation by the PUC. LDCs serve as the supplier of last resort for all residential and small commercial and industrial customers. As of

FINANCIAL REVIEW (continued)

September 30, 2003, less than five percent of Gas Utility's retail customers purchase their gas from alternative suppliers.

On June 29, 2000, the PUC issued its order ("Gas Restructuring Order") approving Gas Utility's restructuring plan filed by Gas Utility pursuant to the Gas Competition Act. Among other things, the implementation of the Gas Restructuring Order resulted in an increase in Gas Utility's retail core-market base rates effective October 1, 2000. This base rate increase was designed to generate approximately \$16.7 million in additional net annual revenues. In accordance with the Gas Restructuring Order, Gas Utility reduced its retail core-market PGC rates by an annualized amount of \$16.7 million in the first 14 months following the October 1, 2000 base rate increase.

Effective December 1, 2001, Gas Utility was required to reduce its retail core-market PGC rates by amounts equal to the margin it receives from interruptible customers using pipeline capacity contracted by Gas Utility for retail core-market customers. As a result, Gas Utility operating results are more sensitive to the effects of heating-season weather and less sensitive to the market prices of alternative fuels.

The PUC approved a settlement establishing rules for Electric Utility Provider of Last Resort ("POLR") service on March 28, 2002, and a separate settlement that modified these rules on June 13, 2002 (collectively, the "POLR Settlement"). Under the terms of the POLR Settlement, Electric Utility terminated stranded cost recovery from commercial and industrial ("C&I") customers on July 31, 2002, and from residential customers on October 31, 2002, and is no longer subject to the statutory generation rate caps as of August 1, 2002 for C&I customers and as of November 1, 2002 for residential customers. Stranded costs are electric generation-related costs that traditionally would be recoverable in a regulated environment but may not be recoverable in a competitive electric generation market. Charges for generation service (1) were initially set at a level equal to the rates paid by Electric Utility customers for POLR service under the statutory rate caps; (2) may be raised at certain designated times by up to 5% of the total rate for distribution, transmission and generation through December 2004; and (3) may be set at market rates thereafter. Electric Utility may also offer multiple-year POLR contracts to its customers. The POLR Settlement provides for annual shopping periods during which customers may elect to remain on POLR service or choose an alternate supplier. Customers who do not select an alternate supplier will be obligated to remain on POLR service until the next shopping period. Residential customers who return to POLR service at a time other than during the annual shopping period must remain on POLR service until the date of the second open shopping period after returning. C&I customers who return to POLR service at a time other than during the annual shopping period must remain on POLR service until the next open shopping period, and may, in certain circumstances, be subject to generation rate surcharges. Consistent with the terms of the POLR Settlement, Electric Utility's POLR rates for commercial and industrial customers will increase beginning January 2004, and for residential customers beginning June 2004. Also, Electric Utility has offered and entered into multiple-year POLR contracts with certain of its customers. Additionally, pursuant to the requirements of the Electricity Choice Act, the PUC is currently developing post-rate cap POLR regulations that are expected to further define post-rate cap POLR service obligations and pricing. As of September 30, 2003, less than 1% of Electric Utility's customers have chosen an alternative electricity generation supplier.

We account for the operations of Gas Utility and Electric Utility in accordance with Statement of Financial Accounting Standards ("SFAS") No. 71, "Accounting for the Effects of Certain Types of Regulation" ("SFAS 71"). SFAS 71 allows us to defer expenses and revenues on the balance sheet as regulatory assets and liabilities when it is probable that those expenses and income will be allowed in the ratemaking process in a period different from the period in which they would have been reflected in the income statement of an unregulated company. These deferred assets and liabilities are then flowed through the income statement in the period in which the same amounts are included in rates and recovered from or refunded to customers. As required by SFAS 71, we monitor our regulatory and competitive environments to determine whether the recovery of our regulatory assets continues to be probable. If we were to determine that recovery of these regulatory assets is no longer probable, such assets would be written off against earnings.

MANUFACTURED GAS PLANTS

From the late 1800s through the mid-1900s, UGI Utilities and its former subsidiaries owned and operated a number of manufactured gas plants ("MGPs") prior to the general availability of natural gas. Some constituents of coal tars and other residues of the manufactured gas process are today considered hazardous substances under the Superfund Law and may be present on the sites of former MGPs. Between 1882 and 1953, UGI Utilities owned the stock of subsidiary gas companies in Pennsylvania and elsewhere and also operated the businesses of some gas companies under agreement. Pursuant to the requirements of the Public Utility Holding Company Act of 1935, UGI Utilities divested all of its utility operations other than those which now constitute Gas Utility and Electric Utility.

UGI Utilities does not expect its costs for investigation and remediation of hazardous substances at Pennsylvania MGP sites to be material to its results of operations because Gas Utility is currently permitted to include in rates, through future base rate proceedings, prudently incurred remediation costs associated with such sites. UGI Utilities has been notified of several sites outside Pennsylvania on which (1) MGPs were formerly operated by it or owned or operated by its former subsidiaries and (2) either environmental agencies or private parties are investigating the extent of environmental

contamination or performing environmental remediation. UGI Utilities is currently litigating three claims against it relating to out-of-state sites.

Management believes that under applicable law UGI Utilities should not be liable in those instances in which a former subsidiary owned or operated an MGP. There could be, however, significant future costs of an uncertain amount associated with environmental damage caused by MGPs outside Pennsylvania that UGI Utilities directly operated, or that were owned or operated by former subsidiaries of UGI Utilities, if a court were to conclude that (i) the subsidiary's separate corporate form should be disregarded or (ii) UGI Utilities should be considered to have

been an operator because of its conduct with respect to its subsidiary's MGP.

With respect to a manufactured gas plant site in Manchester, New Hampshire, EnergyNorth Natural Gas, Inc. ("EnergyNorth") filed suit against UGI Utilities seeking contribution from UGI Utilities for response and remediation costs associated with the contamination on the site of a former MGP allegedly operated by former subsidiaries of UGI Utilities. UGI Utilities and EnergyNorth agreed to a settlement of this matter in June 2003. UGI Utilities recorded its estimated liability for contingent payments to EnergyNorth under the terms of the settlement agreement which did not have a material effect on Fiscal 2003 net income.

In April 2003, Citizens Communications Company ("Citizens") served a complaint naming UGI Utilities as a third party defendant in a civil action pending in United States District Court for the District of Maine. In that action, the plaintiff, City of Bangor, Maine ("City") sued Citizens to recover environmental response costs associated with MGP wastes generated at a plant allegedly operated by Citizens' predecessors at a site on the Penobscot River. Citizens subsequently joined UGI Utilities and ten other third party defendants alleging that the third party defendants are responsible for an equitable share of costs Citizens may be required to pay to the City for cleaning up tar deposits in the Penobscot River. The City believes that it could cost as much as \$50 million to clean up the river. UGI Utilities believes that it has good defenses to the claim.

By letter dated July 29, 2003, Atlanta Gas Light Company ("AGL") served UGI Utilities with a complaint filed in the United States District Court for the Middle District of Florida in which AGL alleges that UGI Utilities is responsible for 20% of approximately \$8.0 million incurred by AGL in the investigation and remediation of a former MGP site in St. Augustine, Florida. UGI Utilities formerly owned stock of the St. Augustine Gas Company, the owner and operator of the MGP. UGI Utilities believes that it has good defenses to the claim and is defending the suit.

On September 20, 2001, Consolidated Edison Company of New York ("ConEd") filed suit against UGI Utilities in the United States District Court for the Southern District of New York, seeking contribution from UGI Utilities for an allocated share of response costs associated with investigating and assessing gas plant related contamination at former MGP sites in Westchester County, New York. The complaint alleges that UGI Utilities "owned and operated" the MGPs prior to 1904. The complaint also seeks a declaration that UGI Utilities is responsible for an allocated percentage of future investigative and remedial costs at the sites. ConEd believes that the cost of remediation for all of the sites could exceed \$70 million. UGI Utilities believes that it has good defenses to the claim and is defending the suit. In November 2003, the court granted UGI Utilities' motion for summary judgement in part, dismissing all claims premised on a disregard of the separate corporate form of UGI Utilities' former subsidiaries and dismissing claims premised on UGI Utilities' operation of three of the MGPs under operating leases with ConEd's predecessors. The court reserved decision on the remaining theory of liability, that UGI Utilities was a direct operator of the remaining MGPs.

MARKET RISK DISCLOSURES

Our primary market risk exposures include (1) market prices for propane, natural gas and electricity; (2) changes in interest rates; and (3) foreign currency exchange rates.

The risk associated with fluctuations in the prices the Partnership and our International Propane operations pay for propane is principally a result of market forces reflecting changes in supply and demand for propane and other energy commodities. The Partnership's profitability is sensitive to changes in propane supply costs, and the Partnership generally attempts to pass on increases in such costs to customers. The Partnership may not, however, always be able to pass through product cost increases fully, particularly when product costs rise rapidly. In order to reduce the volatility of the Partnership's propane market price risk, it uses contracts for the forward purchase or sale of propane, propane fixed-price supply agreements, and over-the-counter derivative commodity instruments including price swap and option contracts. International Propane's profitability is also sensitive to changes in propane supply costs. FLAGA uses derivative commodity instruments to reduce market risk associated with a portion of its propane purchases. Over-the-counter derivative commodity instruments utilized by the Partnership and FLAGA to hedge forecasted purchases of propane are generally settled at expiration of the contract. In order to minimize credit risk associated with its derivative commodity contracts, the Partnership monitors established credit limits with the contract counterparties. Although we use derivative financial and commodity instruments to reduce market price risk associated with forecasted transactions, we do not use derivative financial and commodity instruments for speculative or trading purposes.

Gas Utility's tariffs contain clauses that permit recovery of substantially all of the prudently incurred costs of natural gas it sells to its customers. The recovery clauses provide for a periodic adjustment for the difference between the total amounts actually collected from customers through PGC rates and the recoverable costs incurred. Because of this ratemaking mechanism, there is limited commodity price risk associated with our Gas Utility operations. Gas Utility uses exchange-traded natural gas call option contracts to reduce volatility in the cost of gas it purchases for its retail core-market customers. The cost of these call option contracts, net of associated gains, is included in Gas Utility's PGC recovery mechanism.

Prior to September 2002, Electric Utility purchased its electric power needs from UGID and under third-party power supply arrangements of various lengths and on the spot market. Beginning September 2002, Electric Utility began purchasing its power needs exclusively from third-party electricity suppliers under fixed-price energy and capacity contracts and, to a much lesser extent, on the spot market, and UGID began selling electric power produced from its interests in electricity generating facilities to third parties on the spot market. Prices for electricity can be volatile especially during periods of high demand or tight supply. Although the generation component of Electric Utility's rates is subject to various rate cap provisions as a result of the POLR Settlement, Electric Utility's fixed-price contracts

FINANCIAL REVIEW (continued)

with electricity suppliers mitigate most risks associated with offering customers a fixed price during the contract periods. However, should any of the suppliers under these contracts fail to provide electric power under the terms of the power and capacity contracts, increases, if any, in the cost of replacement power or capacity would negatively impact Electric Utility results. In order to reduce this non-performance risk, Electric Utility has diversified its purchases across several suppliers and entered into bilateral collateral arrangements with certain of them.

UGID has entered into fixed-price sales agreements for a portion of the electricity expected to be generated by its interests in electricity generating assets. In the unlikely event that these generation assets would not be able to produce all of the electricity needed to supply electricity under these agreements, UGID would be required to purchase such electricity on the spot market or under contract with other electricity suppliers. Accordingly, increases in the cost of replacement power could negatively impact the Company's results.

In order to manage market price risk relating to substantially all of Energy Services' forecasted fixed-price sales of natural gas, Energy Services purchases exchange-traded natural gas futures contracts or enters into fixed-price supply arrangements. Exchange-traded natural gas futures contracts are guaranteed by the New York Mercantile Exchange ("NYMEX") and have nominal credit risk. The change in market value of these contracts generally requires daily cash deposits in margin accounts with brokers. Although Energy Services' fixed-price supply arrangements mitigate most risks associated with its fixed-price sales contracts, should any of the natural gas suppliers under these arrangements fail to perform, increases, if any, in the cost of replacement natural gas would adversely impact Energy Services' results. In order to reduce this risk of supplier nonperformance, Energy Services has diversified its purchases across a number of suppliers.

We have both fixed-rate and variable-rate debt. Changes in interest rates impact the cash flows of variable-rate debt but generally do not impact its fair value. Conversely, changes in interest rates impact the fair value of fixed-rate debt but do not impact their cash flows.

Our variable-rate debt includes borrowings under AmeriGas OLP's Credit Agreement, borrowings under UGI Utilities' revolving credit agreements, and a substantial portion of FLAGA's debt. These debt agreements have interest rates that are generally indexed to short-term market interest rates. At September 30, 2003 and 2002, combined borrowings outstanding under these agreements totaled \$119.7 million and \$131.0 million, respectively. Based upon weighted-average borrowings outstanding under these agreements during Fiscal 2003 and Fiscal 2002, an increase in short-term interest rates of 100 basis points (1%) would have increased our interest expense by \$1.8 million and \$1.4 million, respectively.

The remainder of our debt outstanding is subject to fixed rates of interest. A 100 basis point increase in market interest rates would result in decreases in the fair value of this fixed-rate debt of \$57.1 million and \$52.5 million at September 30, 2003 and 2002, respectively. A 100 basis point decrease in market interest rates would result in increases in the fair value of this fixed-rate debt of \$61.7 million and \$56.4 million at September 30, 2003 and 2002, respectively.

Our long-term debt is typically issued at fixed rates of interest based upon market rates for debt having similar terms and credit ratings. As these long-term debt issues mature, we may refinance such debt with new debt having interest rates reflecting then-current market conditions. This debt may have an interest rate that is more or less than the refinanced debt. In order to reduce interest rate risk associated with near-term forecasted issuances of fixed-rate debt, from time to time we enter into interest rate protection agreements.

The primary currency for which the Company has exchange rate risk is the U.S. dollar versus the euro. We do not currently use derivative instruments to hedge foreign currency exposure associated with our international propane businesses, principally FLAGA and Antargaz. As a result, the U.S. dollar value of our foreign-denominated assets and liabilities will fluctuate with changes in the associated foreign currency exchange rates. With respect to FLAGA, the net effect of changes in foreign currency exchange rates on their U.S. dollar denominated assets and liabilities would not be material because FLAGA's U.S. dollar denominated financial instrument assets and liabilities are not materially different in amount. With respect to our net investments in FLAGA and Antargaz, a 10% decline in the value of the euro versus the U.S. dollar would reduce their aggregate net book value by approximately \$5.7 million, which amount would be reflected in other comprehensive income.

The following table summarizes the fair values of unsettled market risk sensitive derivative instruments held at September 30, 2003 and 2002. It also includes the changes in fair value that would result if there were an adverse change in (1) the market price of propane of 10 cents a gallon; (2) the market price of natural gas of 50 cents a dekatherm; and (3) interest rates on ten-year U.S. treasury notes of 50 basis points.

Fair Value	Change in Fair Value
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(Millions of dollars)

September 30, 2003:		
Propane commodity price risk	\$(0.6)	\$(24.3)
Natural gas commodity price risk	(1.0)	(9.2)
Interest rate risk	0.2	(2.4)
September 30, 2002:		
Propane commodity price risk	\$ 9.8	\$(11.1)
Natural gas commodity price risk	5.1	(6.0)
Interest rate risk	(4.0)	(6.6)
	-----	-----

Gas Utility's exchange traded natural gas call option contracts are excluded from the table above because any associated net gains or losses are included in Gas Utility's PGC recovery mechanism. Because the Company's derivative instruments generally qualify as hedges under SFAS 133, we expect that changes in the fair value of derivative instruments used to manage commodity or interest rate market risk would be substantially offset by gains or losses on the associated anticipated transactions.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements and related disclosures in compliance with generally accepted accounting principles requires the selection and application of appropriate accounting principles to the relevant facts and circumstances of the Company's operations and the use of estimates made by management. The Company has identified the following critical accounting policies that are most important to the portrayal of the Company's financial condition and results of operations. Changes in these policies could have a material effect on the financial statements. The application of these accounting policies necessarily requires management's most subjective or complex judgments regarding estimates and projected outcomes of future events which could have a material impact on the financial statements. Management has reviewed these critical accounting policies, and the estimates and assumptions associated with them, with its Audit Committee. In addition, management has reviewed the following disclosures regarding the application of these critical accounting policies with the Audit Committee.

LITIGATION ACCRUALS AND ENVIRONMENTAL REMEDIATION LIABILITIES. We are involved in litigation regarding pending claims and legal actions that arise in the normal course of our businesses. In addition, UGI Utilities and its former subsidiaries owned and operated a number of MGPs in Pennsylvania and elsewhere at which hazardous substances may be present. In accordance with accounting principles generally accepted in the United States of America, the Company establishes reserves for pending claims and legal actions or environmental remediation obligations when it is probable that a liability exists and the amount or range of amounts can be reasonably estimated. Reasonable estimates involve management judgments based on a broad range of information and prior experience. These judgments are reviewed quarterly as more information is received and the amounts reserved are updated as necessary. Such estimated reserves may differ materially from the actual liability, and such reserves may change materially as more information becomes available and estimated reserves are adjusted.

REGULATORY ASSETS AND LIABILITIES. Gas Utility and Electric Utility are subject to regulation by the PUC. In accordance with SFAS No. 71, we record the effects of rate regulation in our financial statements as regulatory assets or regulatory liabilities. We continually assess whether the regulatory assets are probable of future recovery by evaluating the regulatory environment, recent rate orders and public statements issued by the PUC, and the status of any pending deregulation legislation. If future recovery of regulatory assets ceases to be probable, the elimination of those regulatory assets would adversely impact our results of operations. As of September 30, 2003, our regulatory assets totaled \$60.3 million.

DEPRECIATION AND AMORTIZATION OF LONG-LIVED ASSETS. We compute depreciation on UGI Utilities' property, plant and equipment on a straight-line basis over the average remaining lives of its various classes of depreciable property and on our other property, plant and equipment on a straight-line basis over estimated useful lives generally ranging from 2 to 40 years. We also use amortization methods and determine asset values of intangible assets other than goodwill using reasonable assumptions and projections. Changes in the estimated useful lives of property, plant and equipment and changes in intangible asset amortization methods or values could have a material effect on our results of operations.

IMPAIRMENT OF GOODWILL. Certain of the Company's business units have goodwill resulting from purchase business combinations. In accordance with SFAS 142, each of our reporting units with goodwill is required to perform impairment tests annually or whenever events or circumstances indicate that the value of goodwill may be impaired. In order to perform these impairment tests, management must determine the reporting unit's fair value using quoted market prices or, in the absence of quoted market prices, valuation techniques which use discounted estimates of future cash flows to be generated by the reporting unit. These cash flow estimates involve management judgments based on a broad range of information and historical results. To the extent estimated cash flows are revised downward, the reporting unit may be required to write down all or a portion of its goodwill which would adversely impact our results of operations. As of September 30, 2003, our goodwill totaled \$671.5 million.

DEFINED BENEFIT PENSION PLAN. The costs of providing benefits under our Pension Plan are dependent on historical information such as employee age, length of service, level of compensation and the actual rate of return on plan assets. In addition, certain assumptions relating to the future are utilized including, the discount rate applied to benefit obligations, the expected rate of return on plan assets and the rate of compensation increase. Pension Plan assets are held in trust and consist principally of equity and fixed income mutual funds and a commingled bond fund. Changes in plan assumptions as well as fluctuations in actual equity or bond market returns could have a material impact on future pension costs.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure" ("SFAS 148"). SFAS 148 provides alternative methods of transition for an entity that voluntarily changes to a fair value based method of accounting for stock-based employee compensation. In addition, SFAS 148 amends SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"), to require more prominent disclosure about the effects on reported net income of stock-based employee compensation. As permitted by SFAS 148 and SFAS 123, the Company expects to continue to account for stock-based compensation in accordance with Accounting Principles Board

Opinion No. 25, "Accounting for Stock Issued to Employees," and will continue to provide the prominent disclosures required in its annual and interim financial statements.

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging

FINANCIAL REVIEW(continued)

Activities" ("SFAS 149"). SFAS 149 is effective for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. SFAS 149 (1) clarifies under what circumstances a contract with an initial net investment meets the characteristic of a derivative, (2) clarifies when a derivative contains a financing component, (3) amends the definition of an underlying- rate, price or index to conform it to language used in FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others," and (4) amends certain other existing pronouncements. SFAS 149 did not change the methods the Company uses to account for and report its derivatives and hedging activities.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity" ("SFAS 150"). SFAS 150 is effective at the beginning of the first interim period beginning after June 15, 2003. SFAS 150 establishes guidelines on how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. SFAS 150 further defines and requires that certain instruments within its scope be classified as liabilities on the financial statements. The adoption of SFAS 150 resulted in the Company presenting UGI Utilities preferred shares subject to mandatory redemption in the liabilities section of the balance sheet, and reflecting dividends paid on these shares as a component of interest expense, for all periods presented after June 30, 2003. Because SFAS 150 specifically prohibits the restatement of financial statements prior to its adoption, prior period amounts have not been reclassified.

In January 2003, the FASB issued Financial Interpretation No. 46, "Consolidation of Variable Interest Entities" ("FIN 46"), which clarifies Accounting Research Bulletin No. 51, "Consolidated Financial Statements." FIN 46 is effective immediately for variable interest entities created or obtained after January 31, 2003. For variable interests created or acquired before February 1, 2003, FIN 46 is effective for the first fiscal or interim period beginning after December 15, 2003. If certain conditions are met, FIN 46 requires the primary beneficiary to consolidate certain variable interest entities in which the other equity investors lack the essential characteristics of a controlling financial interest or their investment at risk is not sufficient to permit the variable interest entity to finance its activities without additional subordinated financial support from other parties. The Company has not created or obtained any variable interest entities after January 31, 2003, and is currently in the process of evaluating the impact of FIN 46, which is not expected to have a material effect on its financial position or results of operations.

FORWARD-LOOKING STATEMENTS

Information contained in this Financial Review and elsewhere in this Annual Report may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Such statements use forward-looking words such as "believe," "plan," "anticipate," "continue," "estimate," "expect," "may," "will," or other similar words. These statements discuss plans, strategies, events or developments that we expect or anticipate will or may occur in the future.

A forward-looking statement may include a statement of the assumptions or bases underlying the forward-looking statement. We believe that we have chosen these assumptions or bases in good faith and that they are reasonable. However, we caution you that actual results almost always vary from assumed facts or bases, and the differences between actual results and assumed facts or bases can be material, depending on the circumstances. When considering forward-looking statements, you should keep in mind the following important factors which could affect our future results and could cause those results to differ materially from those expressed in our forward-looking statements: (1) adverse weather conditions resulting in reduced demand; (2) price volatility and availability of propane, oil, electricity, and natural gas and the capacity to transport them to our market areas; (3) changes in laws and regulations, including safety, tax and accounting matters; (4) competitive pressures from the same and alternative energy sources; (5) failure to acquire new customers thereby reducing or limiting any increase in revenues; (6) liability for environmental claims; (7) customer conservation measures and improvements in energy efficiency and technology resulting in reduced demand; (8) adverse labor relations; (9) large customer, counterparty or supplier defaults; (10) liability for personal injury and property damage arising from explosions and other catastrophic events, including acts of terrorism, resulting from operating hazards and risks incidental to generating and distributing electricity and transporting, storing and distributing natural gas and propane including liability in excess of insurance coverage; (11) political, regulatory and economic conditions in the United States and in foreign countries; (12) interest rate fluctuations and other capital market conditions, including foreign currency rate fluctuations; (13) reduced distributions from subsidiaries; and (14) the timing and success of the Company's efforts to develop new business opportunities.

These factors are not necessarily all of the important factors that could cause actual results to differ materially from those expressed in any of our forward-looking statements. Other unknown or unpredictable factors could also have material adverse effects on future results. We undertake no obligation to update publicly any forward-looking statement whether as a result of new information or future events except as required by federal securities laws.

REPORT OF MANAGEMENT

The Company's consolidated financial statements and other financial information contained in this Annual Report are prepared by management, which is responsible for their fairness, integrity and objectivity. The consolidated financial statements and related information were prepared in accordance with accounting principles generally accepted in the United States of America and include amounts that are based on management's best judgments and estimates.

The Company maintains a system of internal controls. Management believes the system provides reasonable, but not absolute, assurance that assets are safeguarded and that transactions are executed in accordance with management's authorization and are properly recorded to permit the preparation of reliable financial information. There are limits in all systems of internal control, based on the recognition that the cost of the system should not exceed the benefits to be derived. We believe that the Company's internal control system is cost effective and provides reasonable assurance that material errors or irregularities will be prevented or detected within a timely period. The internal control system and compliance therewith are monitored by the Company's internal audit staff.

The Audit Committee of the Board of Directors is composed of three members, none of whom is an employee of the Company. This Committee is responsible for overseeing the financial reporting process and the adequacy of controls, and for monitoring the independence of the Company's independent accountants and the performance of the independent accountants and internal audit staff. The Committee appoints the independent accountants to conduct the annual audit of the Company's consolidated financial statements. The Committee is also responsible for maintaining direct channels of communication between the Board of Directors and both the independent accountants and internal auditors.

The independent accountants, whose appointment is ratified by the shareholders, perform certain procedures, including an evaluation of internal controls to the extent required by auditing standards generally accepted in the United States of America, in order to express an opinion on the consolidated financial statements and to obtain reasonable assurance that such financial statements are free of material misstatement.

/s/ Lon R. Greenberg

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Lon R. Greenberg
Chief Executive Officer

/s/ Anthony J. Mendicino

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Anthony J. Mendicino
Chief Financial Officer

/s/ Michael J. Cuzzolina

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Michael J. Cuzzolina
Chief Accounting Officer

REPORT OF INDEPENDENT AUDITORS

TO THE BOARD OF DIRECTORS AND STOCKHOLDERS OF UGI CORPORATION:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, of stockholders' equity and of cash flows present fairly, in all material respects, the financial position of UGI Corporation and its subsidiaries at September 30, 2003 and 2002, and the results of their operations and their cash flows for each of the two years in the period ended September 30, 2003 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion. The consolidated financial statements of UGI Corporation and its subsidiaries for the year ended September 30, 2001, prior to the revisions discussed in Note 1, were audited by other independent auditors who have ceased operations. Those independent auditors expressed an unqualified opinion on those financial statements in their report dated November 16, 2001.

As discussed in Note 1 to the consolidated financial statements, the Company adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" in fiscal 2002.

As discussed above, the consolidated financial statements of UGI Corporation and its subsidiaries for the year ended September 30, 2001, were audited by other independent auditors who have ceased operations. As described in Note 1, these financial statements have been restated to reflect a 3-for-2 common stock split. We audited the adjustments described in Note 1 that were applied to restate the 2001 consolidated financial statements for the 3-for-2 common stock split. In our opinion, such adjustments are appropriate and have been properly applied. As described in Note 1, these financial statements have also been revised to include the transitional disclosures required by Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" which was adopted by the Company as of October 1, 2001. We audited the transitional disclosures described in Note 1. In our opinion, the transitional disclosures for 2001 in Note 1 are appropriate. However, we were not engaged to audit, review or apply procedures to the 2001 consolidated financial statements of the Company other than with respect to such adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2001 consolidated financial statements taken as a whole.

PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
November 17, 2003

THIS REPORT IS A COPY OF THE PREVIOUSLY ISSUED ACCOUNTANT'S REPORT OF ARTHUR ANDERSEN LLP AND HAS NOT BEEN REISSUED BY ARTHUR ANDERSEN LLP.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

TO THE BOARD OF DIRECTORS AND STOCKHOLDERS OF UGI CORPORATION:

We have audited the accompanying consolidated balance sheets of UGI Corporation and subsidiaries as of September 30, 2001 and 2000, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended September 30, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of UGI Corporation and subsidiaries as of September 30, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 2001, in conformity with accounting principles generally accepted in the United States.

As explained in Notes 1 and 3 to the financial statements, effective October 1, 2000, the Partnership changed its methods of accounting for tank installation costs and nonrefundable tank fees and the Company adopted the provisions of SFAS No. 133.

ARTHUR ANDERSEN LLP
Philadelphia, Pennsylvania
November 16, 2001

CONSOLIDATED STATEMENTS OF INCOME
(Millions of dollars, except per share amounts)

	Year Ended September 30,		
	2003	2002	2001
REVENUES			
AmeriGas Propane	\$ 1,628.4	\$1,307.9	\$1,418.4
Utilities	628.7	488.0	582.7
International Propane	54.5	46.7	50.9
Energy Services and other	714.5	371.1	416.1
	3,026.1	2,213.7	2,468.1
COSTS AND EXPENSES			
Cost of sales	1,984.3	1,296.6	1,632.4
Operating and administrative expenses	643.3	576.5	506.8
Utility taxes other than income taxes	13.0	11.9	9.2
Depreciation and amortization	103.0	93.5	105.2
Provision for shut-down costs - Hearth USA(TM)	-	-	8.5
Other income, net	(19.8)	(18.1)	(23.0)
	2,723.8	1,960.4	2,239.1
OPERATING INCOME	302.3	253.3	229.0
Income (loss) from equity investees	5.3	8.5	(1.6)
Loss on extinguishments of debt	(3.0)	(0.7)	-
Interest expense	(109.2)	(109.1)	(104.8)
Minority interests in AmeriGas Partners	(34.6)	(28.0)	(23.6)
INCOME BEFORE INCOME TAXES, SUBSIDIARY PREFERRED STOCK DIVIDENDS AND ACCOUNTING CHANGES	160.8	124.0	99.0
Income taxes	(60.7)	(46.9)	(45.4)
Dividends on UGI Utilities preferred shares subject to mandatory redemption	(1.2)	(1.6)	(1.6)
Income before accounting changes	98.9	75.5	52.0
Cumulative effect of accounting changes, net	-	-	4.5
NET INCOME	\$ 98.9	\$ 75.5	\$ 56.5
EARNINGS PER COMMON SHARE			
Basic:			
Income before accounting changes	\$ 2.34	\$ 1.83	\$ 1.28
Cumulative effect of accounting changes, net	-	-	0.11
Net income	\$ 2.34	\$ 1.83	\$ 1.39
Diluted:			
Income before accounting changes	\$ 2.29	\$ 1.80	\$ 1.27
Cumulative effect of accounting changes, net	-	-	0.11
Net income	\$ 2.29	\$ 1.80	\$ 1.38
AVERAGE COMMON SHARES OUTSTANDING (MILLIONS):			
Basic	42.220	41.325	40.745
Diluted	43.236	41.907	41.060

See accompanying notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS
(Millions of dollars)

ASSETS -----	September 30,	
	2003	2002

CURRENT ASSETS		
Cash and cash equivalents	\$ 142.1	\$ 194.3
Short-term investments (at cost, which approximates fair value)	50.0	-
Accounts receivable (less allowances for doubtful accounts of \$14.8 and \$11.8, respectively)	199.2	157.7
Accrued utility revenues	7.4	8.1
Inventories	136.6	109.2
Deferred income taxes	23.5	10.4
Income taxes recoverable	-	1.7
Utility regulatory assets	-	4.3
Prepaid expenses and other current assets	28.6	37.9
	-----	-----
Total current assets	587.4	523.6
	-----	-----
PROPERTY, PLANT AND EQUIPMENT		
AmeriGas Propane	1,076.2	1,028.6
UGI Utilities	907.9	883.3
Other	157.9	80.5
	-----	-----
	2,142.0	1,992.4
Accumulated depreciation and amortization	(805.2)	(720.5)
	-----	-----
Net property, plant, and equipment	1,336.8	1,271.9
	-----	-----
OTHER ASSETS		
Goodwill and excess reorganization value	671.5	644.9
Intangible assets (less accumulated amortization of \$16.4 and \$10.3, respectively)	34.7	25.8
Utility regulatory assets	60.3	57.7
Other assets	91.0	90.5
	-----	-----
Total assets	\$2,781.7	\$2,614.4
	=====	=====

See accompanying notes to consolidated financial statements.

LIABILITIES AND STOCKHOLDERS' EQUITY	September 30,	
	2003	2002
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 65.0	\$ 148.7
AmeriGas Propane bank loans	-	10.0
UGI Utilities bank loans	40.7	37.2
Other bank loans	15.9	8.6
Accounts payable	202.5	166.1
Employee compensation and benefits accrued	41.9	35.4
Dividends and interest accrued	40.1	41.5
Income taxes accrued	8.9	-
Deposits and advances	69.1	68.8
Other current liabilities	86.2	70.1
Total current liabilities	570.3	586.4
DEBT AND OTHER LIABILITIES		
Long-term debt	1,158.5	1,127.0
Deferred income taxes	223.1	200.2
Deferred investment tax credits	8.0	8.4
UGI Utilities preferred shares subject to mandatory redemption, without par value	20.0	-
Other noncurrent liabilities	97.4	79.1
Total liabilities	2,077.3	2,001.1
Commitments and contingencies (note 12)		
Minority interests in AmeriGas Partners	134.6	276.0
UGI Utilities preferred shares subject to mandatory redemption, without par value	-	20.0
Preference Stock, without par value (authorized - 5,000,000 shares)	-	-
COMMON STOCKHOLDERS' EQUITY		
Common Stock, without par value (authorized - 150,000,000 shares; issued - 49,798,097 shares)	582.4	396.6
Retained earnings	90.9	39.7
Accumulated other comprehensive income	4.7	6.6
Treasury stock, at cost	678.0 (108.2)	442.9 (125.6)
Total common stockholders' equity	569.8	317.3
Total liabilities and stockholders' equity	\$2,781.7	\$2,614.4

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Millions of dollars)

	Year Ended September 30,		
	2003	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$ 98.9	\$ 75.5	\$ 56.5
Reconcile to net cash provided by operating activities:			
Depreciation and amortization	103.0	93.5	105.2
Cumulative effect of accounting changes, net	-	-	(4.5)
Minority interests in AmeriGas Partners	34.6	28.0	23.6
Deferred income taxes, net	(2.8)	11.0	(5.5)
Provision for uncollectible accounts	18.5	14.2	18.3
Net change in settled accumulated other comprehensive income	(5.2)	13.3	(16.9)
Other, net	9.3	(1.8)	3.1
Net change in:			
Accounts receivable and accrued utility revenues	(55.7)	12.6	(13.6)
Inventories	(25.3)	19.7	(4.2)
Deferred fuel costs	19.0	(7.1)	9.9
Accounts payable	34.9	(0.4)	5.8
Other current assets and liabilities	19.9	(11.0)	25.8
Net cash provided by operating activities	249.1	247.5	203.5
CASH FLOWS FROM INVESTING ACTIVITIES			
Expenditures for property, plant and equipment	(100.9)	(94.7)	(78.0)
Acquisitions of businesses, net of cash acquired	(38.6)	(0.7)	(209.1)
Acquisition of additional interest in Conemaugh Station	(51.3)	-	-
Proceeds from redemption of AGZ Bonds	-	17.7	-
Net proceeds from disposals of assets	5.9	9.7	4.2
Investments in equity investees	(0.4)	(0.3)	(32.6)
Increase in short-term investments	(50.0)	-	-
Other, net	9.2	1.9	2.2
Net cash used by investing activities	(226.1)	(66.4)	(313.3)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends on UGI Common Stock	(47.7)	(44.8)	(53.2)
Distributions on AmeriGas Partners publicly held Common Units	(56.4)	(53.5)	(44.3)
Issuance of long-term debt	167.8	81.1	308.2
Repayment of long-term debt	(236.5)	(105.0)	(137.0)
AmeriGas Propane bank loans (decrease) increase	(10.0)	10.0	(30.0)
UGI Utilities bank loans increase (decrease)	3.5	(20.6)	(42.6)
Other bank loans increase (decrease)	5.4	(2.2)	6.2
Issuance of AmeriGas Partners Common Units	75.0	49.7	39.8
Proceeds from sale of AmeriGas OLP interest	-	-	50.0
Issuance of UGI Common Stock	23.7	11.0	7.6
Repurchases of UGI Common Stock	(0.1)	-	(1.0)
Net cash (used) provided by financing activities	(75.3)	(74.3)	103.7
EFFECT OF EXCHANGE RATE CHANGES ON CASH	0.1	-	(0.3)
Cash and cash equivalents (decrease) increase	\$ (52.2)	\$ 106.8	\$ (6.4)
CASH AND CASH EQUIVALENTS:			
End of year	\$ 142.1	\$ 194.3	\$ 87.5
Beginning of year	194.3	87.5	93.9
(Decrease) increase	\$ (52.2)	\$ 106.8	\$ (6.4)

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Millions of dollars, except per share amounts)

	Common Stock -----	Retained Earnings (Accumulated Deficit) -----	Accumulated Other Comprehensive Income (Loss) -----	Unearned Compensation- Restricted Stock -----	Treasury Stock -----	Total -----
BALANCE SEPTEMBER 30, 2000	\$394.5	\$ (4.9)	\$ -	\$(0.7)	\$(141.7)	\$ 247.2
Net income		56.5				56.5
Cumulative effect of change in accounting principle - SFAS No. 133 (net of tax of \$4.8)			7.1			7.1
Net loss on derivative instruments (net of tax of \$7.9)			(10.5)			(10.5)
Reclassification of net gains on derivative instruments (net of tax of \$6.5)			(10.3)			(10.3)
Foreign currency translation adjustments (net of tax of \$0.1)			0.2			0.2
		-----	-----			-----
Comprehensive income		56.5	(13.5)			43.0
Cash dividends on Common Stock (\$1.05 per share)		(42.6)				(42.6)
Common Stock issued:						
Employee and director plans	0.3				5.5	5.8
Dividend reinvestment plan	0.2				2.3	2.5
Common Stock reacquired					(1.0)	(1.0)
Amortization of unearned compensation- restricted stock awards				0.7		0.7
	-----	-----	-----	-----	-----	-----
BALANCE SEPTEMBER 30, 2001	395.0	9.0	(13.5)	-	(134.9)	255.6
Net income		75.5				75.5
Net loss on derivative instruments (net of tax of \$0.4)			(1.5)			(1.5)
Reclassification of net losses on derivative instruments (net of tax of \$11.6)			18.3			18.3
Foreign currency translation adjustments (net of tax of \$2.2)			4.4			4.4
Reclassification of foreign currency translation gain (net of tax of \$0.5)			(1.1)			(1.1)
		-----	-----			-----
Comprehensive income		75.5	20.1			95.6
Cash dividends on Common Stock (\$1.083 per share)		(44.8)				(44.8)
Common Stock issued:						
Employee and director plans	1.0				7.4	8.4
Dividend reinvestment plan	0.6				2.0	2.6
Common Stock reacquired					(0.1)	(0.1)
	-----	-----	-----	-----	-----	-----
BALANCE SEPTEMBER 30, 2002	396.6	39.7	6.6	-	(125.6)	317.3
Net income		98.9				98.9
Net gain on derivative instruments (net of tax of \$9.1)			13.5			13.5
Reclassification of net gains on derivative instruments (net of tax of \$14.0)			(20.7)			(20.7)
Foreign currency translation adjustments (net of tax of \$3.1)			5.3			5.3
		-----	-----			-----
Comprehensive income		98.9	(1.9)			97.0
Cash dividends on Common Stock (\$1.13 per share)		(47.7)				(47.7)
Common Stock issued:						
Employee and director plans	5.0				16.0	21.0
Dividend reinvestment plan	1.2				1.5	2.7
Gain in connection with issuances of units by AmeriGas Partners	179.6					179.6
Common Stock reacquired					(0.1)	(0.1)
	-----	-----	-----	-----	-----	-----
BALANCE SEPTEMBER 30, 2003	\$582.4	\$ 90.9	\$ 4.7	\$ -	\$(108.2)	\$ 569.8
	=====	=====	=====	=====	=====	=====

See accompanying notes to consolidated financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Millions of dollars, except per share amounts and where indicated otherwise)

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION. UGI Corporation ("UGI") is a holding company that owns and operates natural gas and electric utility, electricity generation, retail propane distribution, energy marketing and related businesses in the United States. Through foreign subsidiaries and joint-venture affiliates, UGI also distributes propane in Austria, the Czech Republic, Slovakia, France and China. We refer to UGI and its consolidated subsidiaries collectively as "the Company" or "we."

Our natural gas and electric distribution utility businesses are conducted through our wholly owned subsidiary UGI Utilities, Inc. ("UGI Utilities"). UGI Utilities owns and operates a natural gas distribution utility ("Gas Utility") in parts of eastern and southeastern Pennsylvania and an electricity distribution utility ("Electric Utility") in northeastern Pennsylvania. Gas Utility and Electric Utility (collectively, "Utilities") are subject to regulation by the Pennsylvania Public Utility Commission ("PUC").

We conduct a national propane distribution business through AmeriGas Partners, L.P. ("AmeriGas Partners") and its principal operating subsidiaries AmeriGas Propane, L.P. ("AmeriGas OLP") and AmeriGas OLP's subsidiary, AmeriGas Eagle Propane, L.P. ("Eagle OLP"). AmeriGas Partners, AmeriGas OLP and Eagle OLP are Delaware limited partnerships. UGI's wholly owned second-tier subsidiary AmeriGas Propane, Inc. (the "General Partner") serves as the general partner of AmeriGas Partners and AmeriGas OLP. AmeriGas OLP and Eagle OLP (collectively referred to as "the Operating Partnerships") comprise the largest retail propane distribution business in the United States serving residential, commercial, industrial, motor fuel and agricultural customers from locations in 46 states. We refer to AmeriGas Partners and its subsidiaries together as "the Partnership" and the General Partner and its subsidiaries, including the Partnership, as "AmeriGas Propane." At September 30, 2003, the General Partner and its wholly owned subsidiary Petrolane Incorporated ("Petrolane") collectively held a 1% general partner interest and a 46.4% limited partner interest in AmeriGas Partners, and effective 47.9% and 47.8% ownership interests in AmeriGas OLP and Eagle OLP, respectively. Our limited partnership interest in AmeriGas Partners comprised 24,525,004 Common Units. The remaining 52.6% interest in AmeriGas Partners comprises 27,808,204 publicly held Common Units representing limited partner interests.

The Partnership has no employees. Employees of the General Partner conduct, direct and manage the activities of AmeriGas Partners and AmeriGas OLP. The General Partner also provides management and administrative services to AmeriGas Eagle Holdings, Inc., the general partner of Eagle OLP, under a management services agreement. The General Partner is reimbursed monthly for all direct and indirect expenses it incurs on behalf of the Partnership including all General Partner employee compensation costs and a portion of UGI employee compensation and administrative costs. Although the Partnership's operating income represents a significant portion of our consolidated operating income, the Partnership's impact on our consolidated net income is considerably less due to the Partnership's significant minority interest; higher relative interest charges; and, prior to 2002, higher effective income taxes resulting from nondeductible goodwill amortization.

Our wholly owned subsidiary UGI Enterprises, Inc. ("Enterprises") conducts an energy marketing business primarily in the Eastern region of the United States through its wholly owned subsidiary, UGI Energy Services, Inc. ("Energy Services"). Energy Services' wholly owned subsidiary UGI Development Company ("UGID"), and UGID's subsidiaries and joint-venture affiliate Hunlock Creek Energy Ventures ("Energy Ventures"), own and operate interests in Pennsylvania-based electricity generation assets. Prior to their transfer to Energy Services in June 2003, UGID and its subsidiaries were wholly owned subsidiaries of UGI Utilities. Through other subsidiaries, Enterprises (1) owns and operates a propane distribution business in Austria, the Czech Republic and Slovakia ("FLAGA"); (2) owns and operates a heating, ventilation and air-conditioning service business in the Middle Atlantic states ("HVAC"); and (3) participates in propane joint-venture businesses in France ("Antargaz") and China.

UGI is exempt from registration as a holding company because it files an annual exemption statement with the U.S. Securities and Exchange Commission ("SEC") and is not otherwise subject to regulation under the Public Utility Holding Company Act of 1935 except for acquisitions under Section 9(a)(2). UGI is not subject to regulation by the PUC.

CONSOLIDATION PRINCIPLES. The consolidated financial statements include the accounts of UGI and its controlled subsidiary companies, which, except for the Partnership, are majority owned. We eliminate all significant intercompany accounts and transactions when we consolidate. We report the public's limited partner interests in the Partnership as minority interests. Entities in which we own 50 percent or less and in which we exercise significant influence over operating and financial policies are accounted for by the equity method (see Note 19). Investments in equity investees are included in other assets in the Consolidated Balance Sheets.

RECLASSIFICATIONS. In order to more appropriately classify direct costs associated with the Partnership's Prefilled Propane Xchange ("PPX(R)") program, for the year ended September 30, 2003, certain costs previously considered operating and administrative expenses have been included in cost of sales. We have reclassified \$21.0 and \$11.0 of such costs incurred during the years ended September 30, 2002 and 2001, respectively, to conform to the current-year presentation.

In January 2003, the Partnership recorded a loss of \$3.0 resulting from an early extinguishment of long-term debt. This loss has been reflected in the 2003 Consolidated Statement of Income as "loss on extinguishments of debt." A loss of \$0.7 associated with a November 2001 early extinguishment of Partnership long-term debt previously included in other income, net, in the 2002 Consolidated Statement of Income has been reclassified to conform to the current-year presentation (see Note 4).

We have reclassified certain other prior-year balances to conform to the current-year presentation.

USE OF ESTIMATES. We make estimates and assumptions when preparing financial statements in conformity with accounting principles generally accepted in the United States. These estimates and assumptions affect the reported amounts of assets

and liabilities, revenues and expenses, as well as the disclosure of contingent assets and liabilities. Actual results could differ from these estimates.

REGULATED UTILITY OPERATIONS. We account for the operations of Gas Utility and Electric Utility in accordance with Statement of Financial Accounting Standards ("SFAS") No. 71, "Accounting for the Effects of Certain Types of Regulation" ("SFAS 71"). SFAS 71 requires us to record the effects of rate regulation in the financial statements. Certain expenses and credits subject to utility regulation and normally reflected in income as incurred are deferred on the balance sheet and recognized in income as the related amounts are included in rates and recovered from or refunded to customers. As required by SFAS 71, we monitor our regulatory and competitive environments to determine whether the recovery of our regulatory assets continues to be probable. If we were to determine that recovery of these regulatory assets is no longer probable, such assets would be written off against earnings.

On June 29, 2000, the PUC issued its order ("Gas Restructuring Order") approving Gas Utility's restructuring plan filed by Gas Utility pursuant to Pennsylvania's Natural Gas Choice and Competition Act ("Gas Competition Act"). Based upon the provisions of the Gas Restructuring Order and the Gas Competition Act, we believe Gas Utility's regulatory assets continue to satisfy the criteria of SFAS 71. For further information on the impact of the Gas Competition Act and Pennsylvania's Electricity Customer Choice and Competition Act ("Electricity Choice Act"), see Note 3.

DERIVATIVE INSTRUMENTS. Effective October 1, 2000, we adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). SFAS 133, as amended, establishes accounting and reporting standards for derivative instruments and for hedging activities. It requires that all derivative instruments be recognized as either assets or liabilities and measured at fair value. The accounting for changes in fair value depends upon the purpose of the derivative instrument and whether it is designated and qualifies for hedge accounting.

The adoption of SFAS 133 on October 1, 2000 resulted in an after-tax cumulative effect charge to 2001 net income of \$0.3 and an after-tax cumulative effect increase to accumulated other comprehensive income of \$7.1. The after-tax cumulative effect increase in accumulated other comprehensive income is attributable to net gains on derivative instruments designated and qualifying as cash flow hedges on October 1, 2000.

For a detailed description of the derivative instruments we use, our objectives for using them, and related supplemental information required by SFAS 133, see Note 13.

CONSOLIDATED STATEMENTS OF CASH FLOWS. We define cash equivalents as all highly liquid investments with maturities of three months or less when purchased. We record cash equivalents at cost plus accrued interest, which approximates market value. We paid interest totaling \$109.8 in 2003, \$106.2 in 2002 and \$103.9 in 2001. We paid income taxes totaling \$48.2 in 2003, \$48.0 in 2002 and \$43.0 in 2001.

REVENUE RECOGNITION. We recognize revenues from the sale of propane principally as product is delivered to customers. Revenue from the sale of appliances and equipment is recognized at the time of sale or installation. We record Utilities' regulated revenues for service provided to the end of each month which includes an accrual for certain unbilled amounts based upon estimated usage. We reflect the impact of Utilities' rate increases or decreases at the time they become effective. Energy Services records revenues when energy products are delivered to customers.

INVENTORIES. Our inventories are stated at the lower of cost or market. We determine cost using an average cost method for natural gas and propane, specific identification for appliances and the first-in, first-out ("FIFO") method for all other inventories.

EARNINGS PER COMMON SHARE. On January 28, 2003, UGI's Board of Directors approved a 3-for-2 split of UGI's Common Stock. On April 1, 2003, UGI issued one additional common share for every two common shares outstanding to shareholders of record on February 28, 2003. Average shares outstanding, earnings per share and dividends declared per share for all years presented are reflected on a post-split basis.

Basic earnings per share reflect the weighted-average number of common shares outstanding. Diluted earnings per share include the effects of dilutive stock options and common stock awards. In the following table, we present the shares used in computing basic and diluted earnings per share for 2003, 2002 and 2001:

	2003	2002	2001
	-----	-----	-----
Denominator (millions of shares):			
Average common shares			
outstanding for basic computation	42.220	41.325	40.745
Incremental shares issuable for stock			
options and awards	1.016	0.582	0.315
	-----	-----	-----
Average common shares outstanding for			
diluted computation	43.236	41.907	41.060

INCOME TAXES. AmeriGas Partners and the Operating Partnerships are not directly subject to federal income taxes. Instead, their taxable income or loss is allocated to the individual partners. We record income taxes on our share of (1) the Partnership's current taxable income or loss and (2) the differences between the book and tax bases of the Partnership's assets and liabilities. The Operating Partnerships have subsidiaries which operate in corporate form and are directly subject to federal income taxes.

Gas Utility and Electric Utility record deferred income taxes in the Consolidated Statements of Income resulting from the use of accelerated depreciation methods based upon amounts recognized for ratemaking purposes. They also record a deferred tax liability for tax benefits that are flowed through to ratepayers when temporary differences originate and record a regulatory income tax asset for the probable increase in future revenues that will result when the temporary differences reverse.

We are amortizing deferred investment tax credits related to Utilities' plant additions over the service lives of the related property. Utilities reduces its deferred income tax liability for the future tax benefits that will occur when investment tax credits, which are not taxable, are amortized. We also reduce the regulatory income tax asset for the probable reduction in future revenues that will result when such deferred investment tax credits amortize.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Millions of dollars, except per share amounts and where indicated otherwise)

Note 1 continued

PROPERTY, PLANT AND EQUIPMENT AND RELATED DEPRECIATION. The amounts we assign to property, plant and equipment of businesses we acquire are based upon estimated fair value at date of acquisition. When Gas Utility and Electric Utility retire depreciable utility plant and equipment, we charge the original cost, net of removal costs and salvage value, to accumulated depreciation for financial accounting purposes. When our unregulated businesses retire or otherwise dispose of plant and equipment, we remove the cost and accumulated depreciation from the appropriate accounts and any resulting gain or loss is recognized in "other income, net" in the Consolidated Statements of Income. We record depreciation expense for Utilities' plant and equipment on a straight-line method over the estimated average remaining lives of the various classes of its depreciable property. Depreciation expense as a percentage of the related average depreciable base for Gas Utility was 2.3% in 2003, 2.5% in 2002 and 2.6% in 2001. Depreciation expense as a percentage of the related average depreciable base for Electric Utility was 3.0% in each of 2003 and 2002 and 3.3% in 2001. The declines in the Gas Utility and Electric Utility percentages for 2003 and 2002 are the result of changes, effective April 1, 2002, in the estimated remaining useful lives of Gas Utility's and Electric Utility's distribution assets. We compute depreciation expense on plant and equipment associated with our propane operations using the straight-line method over estimated service lives generally ranging from 15 to 40 years for buildings and improvements; 7 to 30 years for storage and customer tanks and cylinders; and 2 to 10 years for vehicles, equipment, and office furniture and fixtures. We compute depreciation expense on plant and equipment associated with our electricity generation assets on a straight-line basis over 25 years. Depreciation expense was \$97.1 in 2003, \$88.2 in 2002 and \$75.7 in 2001.

Effective October 1, 2000, the Partnership changed its method of accounting for costs to install Partnership-owned tanks at customer locations. Under the new accounting method, all costs to install such tanks, net of amounts billed to customers, are capitalized and amortized over the estimated period of benefit not exceeding ten years. For a detailed description of this change in accounting and its impact on our results, see Note 15.

INTANGIBLE ASSETS. Intangible assets comprise the following at September 30:

	2003	2002
	-----	-----
Subject to amortization:		
Customer relationships, noncompete agreements and other (a)	\$ 51.1	\$ 36.1
Accumulated amortization	(16.4)	(10.3)
	-----	-----
	\$ 34.7	\$ 25.8
	-----	-----
Not subject to amortization:		
Goodwill (a)	\$578.2	\$551.6
Excess reorganization value	93.3	93.3
	-----	-----
	\$671.5	\$644.9
	-----	-----

(a) The increase in the carrying amount of intangible assets during the year ended September 30, 2003 is principally the result of business acquisitions and, with respect to goodwill, foreign currency translation effects.

We amortize customer relationship and noncompete agreement intangibles over their estimated periods of benefit which do not exceed 15 years. Prior to the adoption of SFAS 142, we amortized goodwill resulting from purchase business combinations on a straight-line basis over 40 years, and excess reorganization value (resulting from Petrolane's July 1993 reorganization under Chapter 11 of the U.S. Bankruptcy Code) on a straight-line basis over 20 years. Amortization expense of intangible assets was \$6.1 in 2003 and \$4.6 in 2002 including amortization expense associated with customer contracts recorded in cost of sales. Amortization expense of intangible assets in 2001, which includes amortization of goodwill and excess reorganization value prior to the adoption of SFAS 142, was \$27.7. Estimated amortization expense of intangible assets during the next five fiscal years is as follows: Fiscal 2004 - \$5.4; Fiscal 2005 - \$4.6; Fiscal 2006 - \$4.1; Fiscal 2007 - \$3.5; Fiscal 2008 - \$3.1.

Effective October 1, 2001, we early adopted the provisions of SFAS No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"). SFAS 142 addresses the financial accounting and reporting for acquired goodwill and other intangible assets and supersedes Accounting Principles Board ("APB") Opinion No. 17, "Intangible Assets." SFAS 142 addresses the financial accounting and reporting for intangible assets acquired individually or with a group of other assets (excluding those acquired in a business combination) at acquisition and also addresses the financial accounting and reporting for goodwill and other intangible assets subsequent to their acquisition. Under SFAS 142, an intangible asset is amortized over its useful life unless that life is determined to be indefinite. Goodwill, including excess reorganization value, and other intangible assets with indefinite lives are not amortized but are subject to tests for impairment at least annually. In accordance with the provisions of SFAS 142, we ceased the amortization of goodwill and excess reorganization value effective October 1, 2001.

The following table provides reconciliations of reported and adjusted net income and diluted earnings per share as if SFAS 142 had been adopted as of October 1, 2000. Basic earnings per share is not materially different from diluted earnings per share and, therefore, is not presented:

	Year Ended September 30,		
	2003	2002	2001
	-----	-----	-----
NET INCOME:			
Reported income before accounting changes	\$ 98.9	\$ 75.5	\$ 52.0
Add back goodwill and excess			
reorganization value amortization	-	-	25.2
Adjust minority interests in AmeriGas Partners	-	-	(10.5)
Adjust income tax expense	-	-	(0.7)
	-----	-----	-----
Adjusted income before accounting changes	98.9	75.5	66.0
Cumulative effect of accounting changes	-	-	4.5
	-----	-----	-----
Adjusted net income	\$ 98.9	\$ 75.5	\$ 70.5
	-----	-----	-----
DILUTED EARNINGS PER SHARE:			
Reported income before accounting changes	\$ 2.29	\$ 1.80	\$ 1.27
Add back goodwill and excess			
reorganization value amortization	-	-	0.61
Adjust minority interests in AmeriGas Partners	-	-	(0.25)
Adjust income tax expense	-	-	(0.02)
	-----	-----	-----
Adjusted income per share before accounting changes	2.29	1.80	1.61
Cumulative effect of accounting changes	-	-	0.11
	-----	-----	-----
Adjusted net income per share	\$ 2.29	\$ 1.80	\$ 1.72
	-----	-----	-----

SFAS 142 requires that we perform impairment tests annually or more frequently if events or circumstances indicate that the value of goodwill might be impaired. No provisions for goodwill impairments were recorded during 2003 or 2002.

STOCK-BASED COMPENSATION. As permitted by SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"), we apply the provisions of APB Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25"), in recording compensation expense for grants of stock, stock options, and other equity instruments to employees.

We use the intrinsic value method prescribed by APB 25 for our stock-based employee compensation plans. We recognized total stock and unit-based compensation expense of \$10.4, \$5.7 and \$2.7 in 2003, 2002 and 2001, respectively. If we had determined stock-based compensation expense under the fair value method prescribed by SFAS 123, net income and basic and diluted earnings per share for 2003, 2002 and 2001 would have been as follows:

	Year Ended September 30,		
	2003	2002	2001
	-----	-----	-----
Net income, as reported	\$ 98.9	\$ 75.5	\$ 56.5
Add: Stock and unit-based employee compensation expense included in reported net income, net of related tax effects	6.8	3.7	1.8
Deduct: Total stock and unit-based employee compensation expense determined under the fair value method for all awards, net of related tax effects	(7.6)	(4.7)	(2.6)
Pro forma net income	\$ 98.1	\$ 74.5	\$ 55.7
Basic earnings per share:			
As reported	\$ 2.34	\$ 1.83	\$ 1.39
Pro forma	\$ 2.32	\$ 1.80	\$ 1.37
Diluted earnings per share:			
As reported	\$ 2.29	\$ 1.80	\$ 1.38
Pro forma	\$ 2.27	\$ 1.78	\$ 1.36
	-----	-----	-----

For a description of our stock-based compensation plans and related disclosures, see Note 9.

DEFERRED DEBT ISSUANCE COSTS. Included in other assets are net deferred debt issuance costs of \$15.5 at September 30, 2003 and \$14.8 at September 30, 2002. We are amortizing these costs over the term of the related debt.

COMPUTER SOFTWARE COSTS. We include in property, plant and equipment costs associated with computer software we develop or obtain for use in our businesses. We amortize computer software costs on a straight-line basis over expected periods of benefit not exceeding ten years once the installed software is ready for its intended use.

DEFERRED FUEL COSTS. Gas Utility's tariffs contain clauses which permit recovery of certain purchased gas costs through the application of purchased gas cost ("PGC") rates. The clauses provide for periodic adjustments to PGC rates for the difference between the total amount of purchased gas costs collected from customers and the recoverable costs incurred. In accordance with SFAS 71, we defer the difference between amounts recognized in revenues and the applicable gas costs incurred until they are subsequently billed or refunded to customers.

UGI UTILITIES PREFERRED SHARES SUBJECT TO MANDATORY REDEMPTION. Beginning July 1, 2003, the Company accounts for UGI Utilities preferred shares subject to mandatory redemption in accordance with SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity" ("SFAS 150"). SFAS 150 establishes guidelines on how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. The adoption of SFAS 150 results in the Company presenting UGI Utilities preferred shares subject to mandatory redemption in the liabilities section of the balance sheet, and reflecting dividends paid on these shares as a component of interest expense, for periods presented after June 30, 2003. Because SFAS 150 specifically prohibits the restatement of financial statements prior to its adoption, prior period amounts have not been reclassified.

ENVIRONMENTAL LIABILITIES. We accrue environmental investigation and cleanup costs when it is probable that a liability exists and the amount or range of amounts can be reasonably estimated. Our estimated liability for environmental contamination is reduced to reflect anticipated participation of other responsible parties but is not reduced for possible recovery from insurance carriers. In those instances for which the amount and timing of cash payments associated with environmental investigation and cleanup are reliably determinable, we discount such liabilities to reflect the time value of money. We intend to pursue recovery of any incurred costs through all appropriate means, including regulatory relief. Gas Utility is permitted to amortize as removal costs site-specific environmental investigation and remediation costs, net of related third-party payments, associated with Pennsylvania sites. Gas Utility is currently permitted to include in rates, through future base rate

proceedings, a five-year average of such prudently incurred removal costs. At September 30, 2003, the Company's liability for environmental investigation and cleanup costs was not material.

FOREIGN CURRENCY TRANSLATION. Balance sheets of international subsidiaries and investments in international propane joint ventures are translated into U.S. dollars using the exchange rate at the balance sheet date. Income statements and equity method results are translated into U.S. dollars using a weighted-average exchange rate for each reporting period. Where the local currency is the functional currency, translation adjustments are recorded in other comprehensive income. Where the local currency is not the functional currency, translation adjustments are recorded in net income.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Millions of dollars, except per share amounts and where indicated otherwise)

Note 1 continued

COMPREHENSIVE INCOME. Comprehensive income comprises net income and other comprehensive (loss) income. Other comprehensive (loss) income principally results from gains and losses on derivative instruments qualifying as cash flow hedges and foreign currency translation adjustments. The components of accumulated other comprehensive income at September 30, 2002 and 2003 follows:

	Derivative Instruments Gains (Losses) -----	Foreign Currency Translation Adjustments -----	Total -----
Balance - September 30, 2002	\$ 3.1	\$3.5	\$ 6.6
Balance - September 30, 2003	\$(4.1)	\$8.8	\$ 4.7
	-----	----	-----

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS. In December 2002, the Financial Accounting Standards Board ("FASB") issued SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure" ("SFAS 148"). SFAS 148 provides alternative methods of transition for an entity that voluntarily changes to a fair value based method of accounting for stock-based employee compensation. In addition, SFAS 148 amends SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"), to require more prominent disclosure about the effects on reported net income of stock-based employee compensation. As permitted by SFAS 148 and SFAS 123, the Company expects to continue to account for stock-based compensation in accordance with APB 25, and will continue to provide the prominent disclosures required in its annual and interim financial statements.

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities" ("SFAS 149"). SFAS 149 is effective for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. SFAS 149 (1) clarifies under what circumstances a contract with an initial net investment meets the characteristic of a derivative, (2) clarifies when a derivative contains a financing component, (3) amends the definition of an underlying-rate, price or index to conform it to language used in FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others," and (4) amends certain other existing pronouncements. SFAS 149 is not expected to materially change the methods the Company uses to account for and report its derivatives and hedging activities.

In January 2003, the FASB issued Financial Interpretation No. 46, "Consolidation of Variable Interest Entities" ("FIN 46"), which clarifies Accounting Research Bulletin No. 51, "Consolidated Financial Statements." FIN 46 is effective immediately for variable interest entities created or obtained after January 31, 2003. For variable interests created or acquired before February 1, 2003, FIN 46 is effective for the first fiscal or interim period beginning after December 15, 2003. If certain conditions are met, FIN 46 requires the primary beneficiary to consolidate certain variable interest entities in which the other equity investors lack the essential characteristics of a controlling financial interest or their investment at risk is not sufficient to permit the variable interest entity to finance its activities without additional subordinated financial support from other parties. The Company has not created or obtained any variable interest entities after January 31, 2003, and is currently in the process of evaluating the impact of FIN 46, which is not expected to have a material effect on its financial position or results of operations.

NOTE 2 - ACQUISITIONS AND INVESTMENTS

In June 2003, pursuant to an asset purchase agreement between and among Allegheny Energy Supply Company, LLC, Allegheny Energy Supply Conemaugh, LLC ("Allegheny Conemaugh"), UGID, and UGI, UGID acquired an additional 83 megawatt ownership interest in the Conemaugh electricity generation station ("Conemaugh") from Allegheny Conemaugh, a unit of Allegheny Energy, Inc. ("Allegheny"), for \$51.3 in cash, subject to a \$3.0 credit. Conemaugh is a 1,711-megawatt, coal-fired electricity generation station located near Johnstown, Pennsylvania and is owned by a consortium of energy companies and operated by a unit of Reliant Resources, Inc. under contract. The purchase increased UGID's ownership interest in Conemaugh to 102 megawatts (6.0%) from 19 megawatts (1.1%) previously. Substantially all of the purchase price for the additional interest in Conemaugh is included in property, plant and equipment in the Consolidated Balance Sheet.

In March 2003, Energy Services acquired the northeastern U.S. gas marketing business of TXU Energy Retail Company, L.P., a subsidiary of TXU Corp. (the "TXU Energy Acquisition") for approximately \$10.0 in cash. As a result of the TXU Energy Acquisition, Energy Services assumed the existing sales and supply agreements for approximately one thousand commercial and industrial customers located primarily in New York, Pennsylvania, Ohio and New Jersey.

During 2003, AmeriGas OLP acquired several retail propane distribution businesses and HVAC acquired a heating, ventilation and air conditioning business for total cash consideration of \$28.6. In conjunction with these acquisitions, liabilities of \$1.5 were incurred. The operating results of these

businesses have been included in our results of operations from their respective dates of acquisition.

The total purchase price of the TXU Energy Acquisition and the AmeriGas OLP and HVAC acquisitions has been allocated to the assets and liabilities acquired as follows:

Net current assets	\$ 2.5
Property, plant and equipment	6.4
Customer relationships and noncompete agreements (estimated useful life of 10 and 5 years, respectively)	17.8
Goodwill (tax deductible)	13.5
Other assets and liabilities	(0.1)

Total	\$40.1

The pro forma effect of these acquisitions was not material to our results of operations.

On August 21, 2001, AmeriGas Partners, through AmeriGas OLP, acquired the propane distribution businesses of Columbia Energy Group ("Columbia Propane Businesses") in a series of equity and asset purchases pursuant to the terms of the Purchase Agreement dated January 30, 2001, and Amended and Restated August 7, 2001 ("Columbia Purchase Agreement")

by and among Columbia Energy Group ("CEG"), Columbia Propane Corporation ("Columbia Propane"), Columbia Propane, L.P. ("CPLP"), CP Holdings, Inc. ("CPH"), AmeriGas Partners, AmeriGas OLP, and the General Partner. The acquired businesses comprised the seventh largest retail marketer of propane in the United States with annual sales of over 300 million gallons from locations in 29 states. The acquired businesses were principally conducted through Columbia Propane and its approximate 99% owned subsidiary, CPLP (referred to after the acquisition as "Eagle OLP"). AmeriGas OLP acquired substantially all of the assets of Columbia Propane, including an indirect 1% general partner interest and an approximate 99% limited partnership interest in Eagle OLP.

The purchase price of the Columbia Propane Businesses consisted of \$201.8 in cash. In addition, AmeriGas OLP agreed to pay CEG for the amount of working capital, as defined, in excess of \$23. In April 2002, the Partnership's management and CEG agreed upon the amount of working capital acquired by AmeriGas OLP and AmeriGas OLP made an additional payment for working capital and other adjustments totaling \$0.7. The Columbia Purchase Agreement also provided for the purchase by CEG of limited partnership interests in AmeriGas OLP valued at \$50 for \$50 in cash, which interests were exchanged for 2,356,953 Common Units of AmeriGas Partners having an estimated fair value of \$54.4. Concurrently with the acquisition, AmeriGas Partners issued \$200 of 8.875% Senior Notes due May 2011, the net proceeds of which were contributed to AmeriGas OLP to finance the acquisition of the Columbia Propane Businesses, to fund related fees and expenses, and to repay debt outstanding under AmeriGas OLP's bank credit agreement. The operating results of the Columbia Propane Businesses are included in our consolidated results from August 21, 2001.

The following table identifies the components of the purchase price of the Columbia Propane Businesses:

Cash paid	\$202.5
Cash received from sale of AmeriGas OLP limited partner interests	(50.0)
Fair value of AmeriGas Partners' Common Units issued in exchange for the AmeriGas OLP limited partner interests	54.4
Transaction costs and expenses	8.2
Involuntary employee termination benefits and relocation costs	2.6
Other liabilities and obligations incurred	1.0

Total	\$218.7

The purchase price of the Columbia Propane Businesses was allocated to the assets and liabilities acquired as follows:

Net current assets	\$ 16.7
Property, plant and equipment	182.8
Customer relationships and noncompete agreement (estimated useful life of 15 and 5 years, respectively)	19.9
Other assets and liabilities	(0.7)

Total	\$ 218.7

The following table presents unaudited pro forma income statement and diluted per share data for 2001 as if the acquisition of the Columbia Propane Businesses had occurred as of the beginning of that year:

	2001

Revenues	\$2,838.3
Income before accounting changes	50.8
Net income	55.3
Diluted earnings per share:	
Income before accounting changes	1.24
Net income	1.35

The pro forma results of operations reflect the Columbia Propane Businesses' historical operating results after giving effect to adjustments directly attributable to the transaction that are expected to have a continuing impact. They are not adjusted for, among other things, the impact of normal weather conditions, operating synergies and anticipated cost savings. In our opinion, the unaudited pro forma results are not necessarily indicative of the actual results that would have occurred had the acquisition of the Columbia Propane Businesses occurred as of the beginning of the year presented or of future operating results under our management.

During 2001, in addition to the acquisitions of the Columbia Propane Businesses, Energy Services acquired two energy marketing businesses and the Partnership acquired several small propane distribution businesses for total cash consideration of \$5.4. The operating results of these businesses have been included in the consolidated results from their respective dates of acquisition.

These transactions did not have a material effect on our results of operations.

On October 1, 2003, AmeriGas OLP acquired substantially all of the retail propane distribution assets and business of Horizon Propane LLC ("Horizon Propane") for total cash consideration of \$31.0. In addition, AmeriGas OLP agreed to pay Horizon for the amount of working capital, as defined in the Asset Purchase Agreement, in excess of \$2.6. During its 2003 fiscal year, Horizon Propane sold over 30 million gallons of propane from ninety locations in twelve states.

NOTE 3 - UTILITY REGULATORY MATTERS

GAS UTILITY

GAS RESTRUCTURING ORDER. On June 29, 2000, the PUC issued the Gas Restructuring Order approving Gas Utility's restructuring plan filed by Gas Utility pursuant to the Gas Competition Act. The purpose of the Gas Competition Act, which was signed into law on June 22, 1999, is to provide all natural gas consumers in Pennsylvania with the ability to purchase their gas supplies from the supplier of their choice. Under the Gas Competition Act, local gas distribution companies ("LDCs") like Gas Utility may continue to sell gas to customers, and such sales of gas, as well as distribution services provided by LDCs, continue to be subject to price regulation by the PUC. LDCs serve as the supplier of last resort for all residential and small commercial and industrial customers.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Millions of dollars, except per share amounts and where indicated otherwise)

Note 3 continued

Among other things, the implementation of the Gas Restructuring Order resulted in an increase in Gas Utility's firm-residential, commercial and industrial ("retail core-market") base rates effective October 1, 2000. This base rate increase was designed to generate approximately \$16.7 in additional net annual revenues. In accordance with the Gas Restructuring Order, Gas Utility reduced its retail core-market PGC rates by an annualized amount of \$16.7 in the first 14 months following the October 1, 2000 base rate increase.

Effective December 1, 2001, Gas Utility was required to reduce its retail core-market PGC rates by amounts equal to the margin it receives from interruptible customers using pipeline capacity contracted by Gas Utility for retail core-market customers. As a result, Gas Utility operating results are more sensitive to the effects of heating-season weather and less sensitive to the market prices of alternative fuels.

ELECTRIC UTILITY

ELECTRIC UTILITY RESTRUCTURING ORDER. On June 19, 1998, the PUC entered its Opinion and Order ("Electricity Restructuring Order") in Electric Utility's restructuring proceeding pursuant to the Electricity Choice Act. Under the terms of the Electricity Restructuring Order, Electric Utility was authorized to recover \$32.5 in stranded costs over a four-year period beginning January 1, 1999 through a Competitive Transition Charge ("CTC") together with carrying charges on unrecovered balances of 7.94% and to charge unbundled rates for generation, transmission and distribution services. Stranded costs are electric generation-related costs that traditionally would be recoverable in a regulated environment but may not be recoverable in a competitive electric generation market. Under the terms of the Electricity Restructuring Order and in accordance with the Electricity Choice Act, Electric Utility generally could not increase the generation component of prices during the period that stranded costs were being recovered through the CTC. Since January 1, 1999, all of Electric Utility's customers have been permitted to choose an alternative generation supplier.

The PUC approved a settlement establishing rules for Electric Utility Provider of Last Resort ("POLR") service on March 28, 2002, and a separate settlement that modified these rules on June 13, 2002 (collectively the "POLR Settlement") under which Electric Utility terminated stranded cost recovery through its CTC from commercial and industrial ("C&I") customers on July 31, 2002, and from residential customers on October 31, 2002, and is no longer subject to the statutory generation rate caps as of August 1, 2002 for C&I customers and as of November 1, 2002 for residential customers. Charges for generation service (1) were initially set at a level equal to the rates paid by Electric Utility customers for POLR service under the statutory rate caps; (2) may be raised at certain designated times by up to 5% of the total rate for distribution, transmission and generation through December 2004; and (3) may be set at market rates thereafter. Electric Utility may also offer multiple-year POLR contracts to its customers. The POLR Settlement provides for annual shopping periods during which customers may elect to remain on POLR service or choose an alternate supplier. Customers who do not select an alternate supplier will be obligated to remain on POLR service until the next shopping period. Residential customers who return to POLR service at a time other than during the annual shopping period must remain on POLR service until the date of the second open shopping period after returning. C&I customers who return to POLR service at a time other than during the annual shopping period must remain on POLR service until the next open shopping period, and may, in certain circumstances, be subject to generation rate surcharges. Consistent with the terms of the POLR Settlement, Electric Utility's POLR rates for commercial and industrial customers will increase beginning January 2004, and for residential customers beginning June 2004. Also, Electric Utility has offered and entered into multiple-year POLR contracts with certain of its customers. Additionally, pursuant to the requirements of the Electricity Choice Act, the PUC is currently developing post-rate cap POLR regulations that are expected to further define post-rate cap POLR service obligations and pricing. As of September 30, 2003, less than 1% of Electric Utility's customers have chosen an alternative electricity generation supplier.

FORMATION OF HUNLOCK CREEK ENERGY VENTURES. On December 8, 2000, UGID contributed its coal-fired Hunlock Creek generating station ("Hunlock") and certain related assets having a net book value of approximately \$4.2, and \$6 in cash, to Energy Ventures, a general partnership jointly owned by us and a subsidiary of Allegheny Energy, Inc. ("Allegheny"). The contribution was recorded at carrying value and no gain was recognized by the Company. Also on December 8, 2000, Allegheny contributed a newly constructed, gas-fired combustion turbine generator to Energy Ventures to be operated at the Hunlock site. Under the terms of our arrangement with Allegheny, each partner is entitled to purchase 50% of the output of the joint venture at cost. Total purchases from Energy Ventures in 2003, 2002 and 2001 were \$9.9, \$9.8 and \$8.0, respectively.

REGULATORY ASSETS AND LIABILITIES

The following regulatory assets and liabilities are included in our accompanying balance sheets at September 30:

2003	2002
-----	-----

Regulatory assets:		
Income taxes recoverable	\$ 57.6	\$54.7
Other postretirement benefits	2.2	2.4
Deferred fuel costs	-	4.3
Other	0.5	0.6
	-----	-----
Total regulatory assets	\$ 60.3	\$62.0
	-----	-----
Regulatory liabilities:		
Other postretirement benefits	\$ 3.8	\$ 4.3
Deferred fuel costs	14.7	-
	-----	-----
Total regulatory liabilities	\$ 18.5	\$ 4.3
	-----	-----

Utilities' regulatory liabilities relating to other postretirement benefits and deferred fuel costs are included in "other noncurrent liabilities" and "other current liabilities," respectively, on the Consolidated Balance Sheets. Utilities does not recover a rate of return on its regulatory assets.

NOTE 4 - DEBT

Long-term debt comprises the following at September 30:

	2003	2002
	-----	-----
AMERIGAS PROPANE:		
AmeriGas Partners Senior Notes:		
8.875%, due May 2011 (including unamortized premium of \$6.4 and \$1.6, respectively, effective rate - 8.56%)	\$ 366.4	\$ 241.6
10%, due April 2006 (less unamortized discount of \$0.2, effective rate - 10.125%)	59.8	59.8
10.125%, due April 2007	-	85.0
AmeriGas OLP First Mortgage Notes:		
Series A, 9.34% - 11.71%, due April 2002 through April 2009 (including unamortized premium of \$6.6 and \$7.9, respectively, effective rate - 8.91%)	166.6	167.9
Series B, 10.07%, due April 2002 through April 2005 (including unamortized premium of \$1.1 and \$2.3, respectively, effective rate - 8.74%)	81.1	122.3
Series C, 8.83%, due April 2003 through April 2010	96.3	110.0
Series D, 7.11%, due March 2009 (including unamortized premium of \$1.9 and \$2.2, respectively, effective rate - 6.52%)	71.9	72.2
Series E, 8.50%, due July 2010 (including unamortized premium of \$0.1, effective rate - 8.47%)	80.1	80.1
Other	5.1	6.9
Total AmeriGas Propane	927.3	945.8
	-----	-----
UGI UTILITIES:		
Medium-Term Notes:		
7.25% Notes, due November 2017	20.0	20.0
7.17% Notes, due June 2007	20.0	20.0
7.37% Notes, due October 2015	22.0	22.0
6.73% Notes, due October 2002	-	26.0
6.62% Notes, due May 2005	20.0	20.0
7.14% Notes, due December 2005 (including unamortized premium of \$0.3 and \$0.4, respectively, effective rate - 6.64%)	30.3	30.4
7.14% Notes, due December 2005	20.0	20.0
5.53% Notes, due September 2012	40.0	40.0
5.37% Notes, due August 2013	25.0	-
6.50% Notes, due August 2033	20.0	-
6.50% Senior Notes, due August 2003	-	50.0
Total UGI Utilities	217.3	248.4
	-----	-----
OTHER:		
FLAGA Acquisition Note, due through September 2006	68.9	64.3
FLAGA euro special purpose facility	4.2	10.8
Other	5.8	6.4
Total long-term debt	1,223.5	1,275.7
Less current maturities (including net unamortized premiums of \$3.1 and \$2.9, respectively)	(65.0)	(148.7)
Total long-term debt due after one year	\$1,158.5	\$1,127.0
	-----	-----

Scheduled principal repayments of long-term debt due in fiscal years 2004 to 2008 follows:

	2004	2005	2006	2007	2008
	-----	-----	-----	-----	-----
AmeriGas Propane	\$55.6	\$55.5	\$114.4	\$54.1	\$54.1
UGI Utilities	-	20.0	50.0	20.0	-
Other	6.3	11.9	56.1	1.5	3.1
	-----	-----	-----	-----	-----
Total	\$61.9	\$87.4	\$220.5	\$75.6	\$57.2
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AMERIGAS PROPANE

AMERIGAS PARTNERS SENIOR NOTES. The 8.875% Senior Notes generally cannot be redeemed at our option prior to May 20, 2006. A redemption premium applies thereafter through May 19, 2009. However, prior to May 20, 2004, AmeriGas Partners may use the proceeds of a public offering of Common Units to redeem up to 33% of the 8.875% Senior Notes at 108.875% plus accrued and unpaid interest. The 10% Senior Notes generally cannot be redeemed at our option prior to their maturity. AmeriGas Partners prepaid \$15 of its 10.125% Senior Notes in November

2001 at a redemption price of 103.375% and the remaining \$85 of its 10.125% Senior Notes in January 2003 at a redemption price of 102.25%, in each instance, including accrued interest. AmeriGas Partners recognized losses of \$3.0 and \$0.7 associated with these prepayments which amounts are reflected in "Loss on extinguishments of debt" in the 2003 and 2002 Consolidated Statements of Income, respectively. AmeriGas Partners may, under certain circumstances following the disposition of assets or a change of control, be required to offer to prepay its Senior Notes.

AMERIGAS OLP FIRST MORTGAGE NOTES. AmeriGas OLP's First Mortgage Notes are collateralized by substantially all of its assets. The General Partner and Petrolane are co-obligors of the Series A, B, and C First Mortgage Notes, and the General Partner is co-obligor of the Series D and E First Mortgage Notes. AmeriGas OLP may prepay the First Mortgage Notes, in whole or in part. These prepayments include a make whole premium. Following the disposition of assets or a change of control, AmeriGas OLP may be required to offer to prepay the First Mortgage Notes, in whole or in part.

AMERIGAS OLP CREDIT AGREEMENT. AmeriGas OLP's Credit Agreement ("Credit Agreement") consists of (1) a Revolving Credit Facility and (2) an Acquisition Facility. AmeriGas OLP's obligations under the Credit Agreement are collateralized by substantially all of its assets. The General Partner and Petrolane are guarantors of amounts outstanding under the Credit Agreement.

Under the Revolving Credit Facility, AmeriGas OLP may borrow up to \$100 (including a \$100 sublimit for letters of credit) subject to restrictions in the AmeriGas Partners Senior Notes indentures (see "Restrictive Covenants" below). The Revolving Credit Facility may be used for working capital and general purposes of AmeriGas OLP. The Revolving Credit Facility expires on October 15, 2006, but may be extended for additional one-year periods with the consent of the participating banks representing at least 80% of the commitments thereunder. There were no borrowings outstanding under AmeriGas OLP's Revolving Credit Facility at September 30, 2003. AmeriGas OLP had borrowings under the Revolving Credit Facility totaling \$10

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Millions of dollars, except per share amounts and where indicated otherwise)

Note 4 Continued

at September 30, 2002, which we classify as bank loans. Issued and outstanding letters of credit, which reduce available borrowings under the Revolving Credit Facility, totaled \$33.4 and \$19.8 at September 30, 2003 and 2002, respectively.

The Acquisition Facility provides AmeriGas OLP with the ability to borrow up to \$75 to finance the purchase of propane businesses or propane business assets or, to the extent it is not so used, may be used for working capital and general purposes. The Acquisition Facility operates as a revolving facility through October 15, 2006, at which time amounts then outstanding will be immediately due and payable. There were no amounts outstanding under the Acquisition Facility at September 30, 2003 and 2002.

The Revolving Credit Facility and the Acquisition Facility permit AmeriGas OLP to borrow at prevailing interest rates, including the base rate, defined as the higher of the Federal Funds rate plus 0.50% or the agent bank's prime rate (4.00% at September 30, 2003), or at a two-week, one-, two-, three-, or six-month Eurodollar Rate, as defined in the Credit Agreement, plus a margin. The margin on Eurodollar Rate borrowings (which ranges from 1.00% to 2.25%), and the Credit Agreement facility fee rate (which ranges from 0.25% to 0.50%) are dependent upon AmeriGas OLP's ratio of funded debt to earnings before interest expense, income taxes, depreciation and amortization ("EBITDA"), each as defined in the Credit Agreement.

GENERAL PARTNER FACILITY. AmeriGas OLP also has a revolving credit agreement with the General Partner under which it may borrow up to \$20 for working capital and general purposes. This agreement is coterminous with, and generally comparable to, AmeriGas OLP's Revolving Credit Facility except that borrowings under the General Partner Facility are unsecured and subordinated to all senior debt of AmeriGas OLP. Interest rates on borrowings are based upon one-month offshore interbank offering rates. Facility fees are determined in the same manner as fees under the Revolving Credit Facility. UGI has agreed to contribute up to \$20 to the General Partner to fund such borrowings.

RESTRICTIVE COVENANTS. The Senior Notes of AmeriGas Partners restrict the ability of the Partnership to, among other things, incur additional indebtedness, make investments, incur liens, issue preferred interests, prepay subordinated indebtedness, and effect mergers, consolidations and sales of assets. Under the Senior Notes indentures, AmeriGas Partners is generally permitted to make cash distributions equal to available cash, as defined, as of the end of the immediately preceding quarter, if certain conditions are met. These conditions include:

1. no event of default exists or would exist upon making such distributions and
2. the Partnership's consolidated fixed charge coverage ratio, as defined, is greater than 1.75-to-1.

If the ratio in item 2 above is less than or equal to 1.75-to-1, the Partnership may make cash distributions in a total amount not to exceed \$24 less the total amount of distributions made during the immediately preceding 16 fiscal quarters. At September 30, 2003, such ratio was 2.79-to-1.

The Credit Agreement and the First Mortgage Notes restrict the incurrence of additional indebtedness and also restrict certain liens, guarantees, investments, loans and advances, payments, mergers, consolidations, asset transfers, transactions with affiliates, sales of assets, acquisitions and other transactions. The Credit Agreement and First Mortgage Notes require the ratio of total indebtedness, as defined, to EBITDA, as defined (calculated on a rolling four-quarter basis or eight-quarter basis divided by two), to be less than or equal to 4.75-to-1 with respect to the Credit Agreement and 5.25-to-1 with respect to the First Mortgage Notes. In addition, the Credit Agreement requires that AmeriGas OLP maintain a ratio of EBITDA to interest expense, as defined, of at least 2.25-to-1 on a rolling four-quarter basis. Generally, as long as no default exists or would result, AmeriGas OLP is permitted to make cash distributions not more frequently than quarterly in an amount not to exceed available cash, as defined, for the immediately preceding calendar quarter. At September 30, 2003, the Partnership was in compliance with its financial covenants.

UGI UTILITIES

REVOLVING CREDIT AGREEMENTS. At September 30, 2003, UGI Utilities had revolving credit agreements with five banks providing for borrowings of up to \$107. These agreements are currently scheduled to expire in June 2005 and 2006. UGI Utilities may borrow at various prevailing interest rates, including LIBOR and the banks' prime rate. UGI Utilities pays quarterly commitment fees on these credit lines. UGI Utilities had revolving credit agreement borrowings totaling \$40.7 at September 30, 2003 and \$37.2 at September 30, 2002, which we classify as bank loans. The weighted-average interest rates on UGI Utilities bank loans were 1.63% at September 30, 2003 and 2.35% at September 30, 2002.

RESTRICTIVE COVENANTS. UGI Utilities' credit agreements have restrictions on such items as total debt, debt service, and payments for investments. They also require consolidated tangible net worth of at least \$125. At September 30, 2003, UGI Utilities was in compliance with these financial covenants.

OTHER

At September 30, 2003, FLAGA's multi-currency acquisition note ("Acquisition Note") consisted of \$9.9 of U.S. dollar denominated obligations and 50.6 million of euro-denominated obligations. The U.S. dollar denominated obligations under the Acquisition Note bear interest at fixed rates ranging from 5.14% to 5.92% while the eurodollar obligations bear interest at a rate of 1.25% over one- to twelve-month euribor rates (as chosen by FLAGA from time to time). The effective interest rates on the Acquisition Note at September 30, 2003 and September 30, 2002 were 4.00% and 4.86%, respectively. FLAGA may prepay the Acquisition Note, in whole or in part. Prior to March 11, 2005, such prepayments shall be at a premium.

At September 30, 2003, FLAGA has a 15 million euro working capital loan commitment from a European bank. The working capital facility expires in November 2004, but may be extended with the bank's consent. Loans under the working capital facility, as well as borrowings under FLAGA's special purpose facility, bear interest at market rates. The weighted-average interest rates on FLAGA's working capital facility were 3.40% at September 30, 2003 and 4.40% at September 30, 2002. Borrowings under the working capital facility at September 30, 2003 and 2002 totaled 13.6 million euro (\$15.9 U.S. dollar equivalent) and 8.7 million euro (\$8.6 U.S. dollar equivalent), respectively, and are classified as bank loans.

The FLAGA Acquisition Note, special purpose facility and working capital facility are subject to guarantees of UGI. In addition, under certain conditions regarding changes in the credit rating of UGI Utilities' long-term debt, the lending bank may require UGI to grant additional security or may accelerate repayment of the debt.

NOTE 5 - INCOME TAXES

Income (loss) before income taxes comprises the following:

	2003	2002	2001
Domestic	\$157.1	\$117.2	\$103.0
Foreign	3.7	6.8	(4.0)
Total income before income taxes	\$160.8	\$124.0	\$ 99.0

The provisions for income taxes consist of the following:

	2003	2002	2001
Current expense:			
Federal	\$ 48.1	\$ 26.5	\$ 39.2
State	15.4	9.3	11.7
Foreign	-	0.1	-
Total current expense	63.5	35.9	50.9
Deferred (benefit) expense:			
Federal	2.3	11.8	(2.9)
State	(3.6)	(0.4)	(1.2)
Foreign	(1.1)	-	(1.0)
Investment tax credit amortization	(0.4)	(0.4)	(0.4)
Total deferred (benefit) expense	(2.8)	11.0	(5.5)
Total income tax expense	\$ 60.7	\$ 46.9	\$ 45.4

A reconciliation from the statutory federal tax rate to our effective tax rate is as follows:

	2003	2002	2001
Statutory federal tax rate	35.0%	35.0%	35.0%
Difference in tax rate due to:			
State income taxes, net of federal	4.6	5.3	7.3
Goodwill amortization	-	-	4.4
Other, net	(1.8)	(2.5)	(0.8)
Effective tax rate	37.8%	37.8%	45.9%

Deferred tax liabilities (assets) comprise the following at September 30:

	2003	2002
Excess book basis over tax basis of property, plant and equipment	\$224.3	\$199.2
Utility regulatory assets	25.0	25.7
Pension plan asset	11.0	10.5
Other	16.7	15.0
Gross deferred tax liabilities	277.0	250.4
Self-insured property and casualty liability	(9.9)	(9.0)

Employee-related benefits	(20.6)	(16.2)
Premium on long-term debt	(3.0)	(2.5)
Deferred investment tax credits	(3.3)	(3.5)
Utility regulatory liabilities	(7.7)	(1.8)
Operating loss carryforwards	(17.0)	(13.3)
Allowance for doubtful accounts	(3.9)	(2.4)
Other	(13.7)	(13.8)

Gross deferred tax assets	(79.1)	(62.5)

Deferred tax assets valuation allowance	1.7	1.9

Net deferred tax liabilities	\$199.6	\$189.8

Deferred income taxes of approximately \$4.4 have not been provided on the excess of book basis over tax basis of our equity investment in AGZ Holdings, the parent company of Antargaz, because the Company's intent is to reinvest all equity earnings.

UGI Utilities had recorded deferred tax liabilities of approximately \$37.0 as of September 30, 2003 and \$35.5 as of September 30, 2002, pertaining to utility temporary differences, principally a result of accelerated tax depreciation for state income tax purposes, the tax benefits of which previously were or will be flowed through to ratepayers. These deferred tax liabilities have been reduced by deferred tax assets of \$3.3 at September 30, 2003 and \$3.5 at September 30, 2002, pertaining to utility deferred investment tax credits. UGI Utilities had recorded regulatory income tax assets related to these net deferred taxes of \$57.6 as of September 30, 2003 and \$54.7 as of September 30, 2002. These regulatory income tax assets represent future revenues expected to be recovered through the ratemaking process. We will recognize this regulatory income tax asset in deferred tax expense as the corresponding temporary differences reverse and additional income taxes are incurred.

Foreign net operating loss carryforwards of FLAGA totaled approximately \$44.5 of which \$7.9 expires through 2010 and \$36.6 of which has no expiration date. At September 30, 2003, deferred tax assets relating to operating loss carryforwards include those of FLAGA and \$2.1 of deferred tax assets associated with state net operating loss carryforwards expiring through 2023. Substantially all of our deferred tax valuation allowances relate to state operating loss carryforwards.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Millions of dollars, except per share amounts and where indicated otherwise)

NOTE 6 - EMPLOYEE RETIREMENT PLANS

DEFINED BENEFIT PENSION AND OTHER POSTRETIREMENT PLANS. We sponsor a defined benefit pension plan ("UGI Utilities Pension Plan") for employees of UGI, UGI Utilities, and certain of UGI's other wholly owned subsidiaries. In addition, we provide postretirement health care benefits to certain retirees and a limited number of active employees meeting certain age and service requirements, and postretirement life insurance benefits to nearly all domestic active and retired employees.

The following provides a reconciliation of projected benefit obligations, plan assets, and funded status of these plans as of September 30:

	Pension Benefits		Other Postretirement Benefits	
	2003	2002	2003	2002
CHANGE IN BENEFIT OBLIGATIONS:				
Benefit obligations - beginning of year	\$190.9	\$165.2	\$ 27.3	\$ 21.3
Service cost	4.5	3.6	0.2	0.1
Interest cost	13.0	12.5	1.8	1.7
Plan amendments	-	0.4	-	-
Actuarial loss	10.5	18.6	1.1	5.8
Benefits paid	(9.4)	(9.4)	(1.6)	(1.6)
Benefit obligations - end of year	\$209.5	\$190.9	\$ 28.8	\$ 27.3
CHANGE IN PLAN ASSETS:				
Fair value of plan assets - beginning of year	\$166.1	\$183.7	\$ 7.8	\$ 7.0
Actual return on plan assets	27.2	(8.3)	0.2	0.1
Employer contributions	-	-	2.6	2.3
Benefits paid	(9.4)	(9.3)	(1.6)	(1.6)
Fair value of plan assets - end of year	\$183.9	\$166.1	\$ 9.0	\$ 7.8
Funded status of the plans	\$(25.6)	\$(24.8)	\$(19.8)	\$(19.5)
Unrecognized net actuarial loss	51.2	50.2	5.9	4.7
Unrecognized prior service cost	2.4	3.0	-	-
Unrecognized net transition (asset) obligation	(1.4)	(3.0)	7.7	8.7
Prepaid (accrued) benefit cost - end of year	\$ 26.6	\$ 25.4	\$ (6.2)	\$ (6.1)
ASSUMPTIONS AS OF SEPTEMBER 30:				
Discount rate	6.2%	6.8%	6.2%	6.8%
Expected return on plan assets	9.0%	9.5%	6.0%	6.0%
Rate of increase in salary levels	4.0%	4.5%	4.0%	4.5%

Net pension income is determined using assumptions as of the beginning of each year. Funded status is determined using assumptions as of the end of each year.

Net periodic pension income and other postretirement benefit costs include the following components:

	Pension Benefits			Other Postretirement Benefits		
	2003	2002	2001	2003	2002	2001
Service cost	\$ 4.5	\$ 3.6	\$ 3.1	\$ 0.2	\$ 0.1	\$ 0.1
Interest cost	13.0	12.5	12.1	1.8	1.7	1.6
Expected return on assets	(17.9)	(19.1)	(18.9)	(0.4)	(0.3)	(0.3)
Amortization of:						
Transition (asset) obligation	(1.6)	(1.6)	(1.6)	0.9	0.9	0.9
Prior service cost	0.6	0.6	0.6	-	-	-
Actuarial (gain) loss	0.3	-	(1.2)	0.1	(0.1)	(0.1)
Net benefit cost (income)	(1.1)	(4.0)	(5.9)	2.6	2.3	2.2
Change in regulatory assets and liabilities	-	-	-	1.0	1.2	1.4
Net expense (income)	\$ (1.1)	\$ (4.0)	\$ (5.9)	\$ 3.6	\$ 3.5	\$ 3.6

UGI Utilities Pension Plan assets are held in trust and consist

principally of equity and fixed income mutual funds and a commingled bond fund. UGI Common Stock comprised approximately 7% of trust assets at September 30, 2003. Although the UGI Utilities Pension Plan projected benefit obligations exceeded plan assets at September 30, 2003 and 2002, plan assets exceeded accumulated benefit obligations by \$7.3 and \$7.2, respectively.

Pursuant to orders issued by the PUC, UGI Utilities has established a Voluntary Employees' Beneficiary Association ("VEBA") trust to pay retiree health care and life insurance benefits and to fund the UGI Utilities' postretirement benefit liability. UGI Utilities is required to fund its postretirement benefit obligations by depositing into the VEBA the annual amount of postretirement benefits costs determined under SFAS No. 106, "Employers Accounting for Postretirement Benefits Other than Pensions." The difference between such amounts and amounts included in UGI Utilities' rates is deferred for future recovery from, or refund to, ratepayers. VEBA investments consist principally of equity and fixed income mutual funds.

The assumed health care cost trend rates are 11.0% for fiscal 2004, decreasing to 5.5% in fiscal 2010. A one percentage point change in the assumed health care cost trend rate would change the 2003 postretirement benefit cost and obligation as follows:

	1% Increase		1% Decrease	
- - - - -				
Effect on total service and interest costs	\$	0.1	\$	(0.1)
Effect on postretirement benefit obligation	\$	1.6	\$	(1.4)
- - - - -				

We also sponsor unfunded retirement benefit plans for certain key employees. At September 30, 2003 and 2002, the projected benefit obligations of these plans were \$11.9 and \$7.9, respectively. We recorded expense for these plans of \$1.9 in 2003, \$1.4 in 2002 and \$1.2 in 2001.

DEFINED CONTRIBUTION PLANS. We sponsor 401(k) savings plans for eligible employees of UGI, UGI Utilities, AmeriGas Propane, HVAC and certain of UGI's other wholly owned domestic subsidiaries. Generally, participants in these plans may contribute a portion of their compensation on either a before-tax basis, or on both a before-tax and after-tax basis. These plans also provide for either mandatory or discretionary employer matching contributions at various rates. The cost of benefits under the savings plans totaled \$7.3 in 2003, \$4.5 in 2002 and \$6.2 in 2001.

NOTE 7 - INVENTORIES

Inventories comprise the following at September 30:

	2003	2002
Propane gas	\$ 53.8	\$ 40.4
Utility fuel and gases	54.6	36.6
Materials, supplies and other	28.2	32.2
Total inventories	\$136.6	\$109.2

NOTE 8 - SERIES PREFERRED STOCK

The UGI Series Preferred Stock, including both series subject to and series not subject to mandatory redemption, has 5,000,000 shares authorized for issuance. We had no shares of UGI Series Preferred Stock outstanding at September 30, 2003 or 2002.

UGI Utilities Series Preferred Stock, including both series subject to and series not subject to mandatory redemption, has 2,000,000 shares authorized for issuance. The holders of shares of UGI Utilities Series Preferred Stock have the right to elect a majority of UGI Utilities' Board of Directors (without cumulative voting) if dividend payments on any series are in arrears in an amount equal to four quarterly dividends. This election right continues until the arrearage has been cured. We have paid cash dividends at the specified annual rates on all outstanding UGI Utilities Series Preferred Stock.

At September 30, 2003 and 2002, UGI Utilities had outstanding 200,000 shares of \$7.75 Series cumulative preferred stock. UGI Utilities is required to establish a sinking fund to redeem on October 1 in each year, commencing October 1, 2004, 10,000 shares of its \$7.75 Series at a price of \$100 per share. The \$7.75 Series is redeemable, in whole or in part, at the option of UGI Utilities on or after October 1, 2004, at a price of \$100 per share. All outstanding shares of \$7.75 Series are subject to mandatory redemption on October 1, 2009, at a price of \$100 per share.

NOTE 9 - COMMON STOCK AND INCENTIVE STOCK
AWARD PLANS

Common Stock share activity for 2001, 2002 and 2003 follows:

	Issued	Treasury	Outstanding
Balance September 30, 2000	49,798,097	(9,307,533)	40,490,564
Issued:			
Employee and director plans	-	361,559	361,559
Dividend reinvestment plan	-	148,218	148,218
Reacquired	-	(55,745)	(55,745)
Balance September 30, 2001	49,798,097	(8,853,501)	40,944,596
Issued:			
Employee and director plans	-	482,794	482,794
Dividend reinvestment plan	-	130,593	130,593
Reacquired	-	(5,388)	(5,388)
Balance September 30, 2002	49,798,097	(8,245,502)	41,552,595
Issued:			
Employee and director plans	-	1,050,921	1,050,921
Dividend reinvestment plan	-	97,665	97,665
Reacquired	-	(1,823)	(1,823)
Balance September 30, 2003	49,798,097	(7,098,739)	42,699,358

STOCK OPTION AND INCENTIVE PLANS. Under UGI's current employee stock option and incentive plans, we may grant options to acquire shares of Common Stock, or issue awards of restricted stock, to key employees. The exercise price for options granted under these plans may not be less than the fair market value on the grant date. Grants of stock options or awards of restricted stock under these plans may vest immediately or ratably over a period of years, and stock options generally can be exercised no later than ten years from the grant date.

Under the 2000 Stock Incentive Plan ("2000 Incentive Plan"), awards

representing up to 1,650,000 shares of Common Stock may be granted in connection with stock options and awards of restricted stock. However, awards representing no more than 750,000 shares of restricted stock may be issued. In addition, the 2000 Incentive Plan provides that both option grants and restricted stock awards may provide for the crediting of Common Stock dividend equivalents to participants' accounts. Dividend equivalents will be paid in cash, and such payments may, at the participants' request, be deferred. Awards of restricted stock may be settled, at the option of the Company, in shares of Common Stock, cash, or a combination of Common Stock and cash. The actual number of shares (or their cash equivalent) ultimately issued, and the actual amount of dividend equivalents paid, is dependent upon the achievement of objective performance goals. During 2003, 2002 and 2001, the Company made restricted stock awards representing 81,750, 254,250, and 166,013 shares, respectively. At September 30, 2003, awards representing 458,813 shares of restricted stock were outstanding. In addition to the 2000 Incentive Plan, at September 30, 2003, there remained available for grant options to acquire 17,791 shares of Common Stock

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Millions of dollars, except per share amounts and where indicated otherwise)

Note 9 continued

under the 1997 Stock Option and Dividend Equivalent Plan ("1997 SODEP Plan"). In addition to the 2000 Incentive Plan and the 1997 SODEP Plan, we have non-qualified stock option plans under which we may grant options to acquire shares of Common Stock to key employees other than executive officers of UGI.

In addition to these employee incentive plans, UGI may grant options to acquire up to a total of 300,000 shares of Common Stock to each of UGI's nonemployee Directors. No Director may be granted options to acquire more than 15,000 shares of Common Stock in any calendar year, and the exercise price may not be less than the fair market value of the Common Stock on the grant date. Generally, all options will be fully vested on the grant date.

Stock option transactions under all of our plans for 2001, 2002, and 2003 follow:

	Shares	Average Option Price
Shares under option - September 30, 2000	2,825,466	\$ 14.121
Granted	50,400	17.250
Exercised	(304,009)	13.871
Forfeited	(18,500)	13.885
Shares under option - September 30, 2001	2,553,357	14.214
Granted	714,375	20.470
Exercised	(437,967)	14.019
Shares under option - September 30, 2002	2,829,765	15.857
Granted	694,500	25.179
Exercised	(997,526)	14.681
Forfeited	(44,250)	22.725
Shares under option - September 30, 2003	2,482,489	18.818
Options exercisable 2001	1,651,356	14.533
Options exercisable 2002	1,706,889	14.515
Options exercisable 2003	1,428,987	15.454

The following table presents additional information relating to stock options outstanding and exercisable at September 30, 2003:

	Range of exercise prices	
	\$ 13.58 -	\$20.41 -
	\$ 20.40	\$ 25.61
Options outstanding at September 30, 2003:		
Number of options	1,754,114	728,375
Weighted average remaining contractual life (in years)	6.67	9.21
Weighted average exercise price	\$ 16.24	\$ 24.88
Options exercisable at September 30, 2003:		
Number of options	1,370,612	58,375
Weighted average exercise price	\$ 15.08	\$ 24.27

At September 30, 2003, 1,043,951 shares of Common Stock were available for future option grants or restricted stock awards under all of our stock option and incentive plans.

OTHER STOCK-BASED COMPENSATION PLANS AND AWARDS. Under the AmeriGas Propane, Inc. 2000 Long-Term Incentive Plan ("2000 Propane Plan"), the General Partner may grant to key employees the right to receive a total of 500,000 AmeriGas Partners Common Units, or cash equivalent to the fair market value of such Common Units, upon the achievement of performance goals. In addition, the 2000 Propane Plan may provide for the crediting of Partnership distribution equivalents to participants' accounts. Distribution equivalents will be paid in cash and such payments may, at the participants' request, be deferred. The actual number of Common Units (or their cash equivalent) ultimately issued, and the actual amount of distribution equivalents paid, is dependent upon the achievement of performance goals. Generally, each grant, unless paid, will terminate when the participant ceases to be employed by the General Partner. We also have a nonexecutive Common Unit plan under which the General Partner may grant awards of up to a total of 200,000 Common Units to key employees who do not participate in the 2000 Propane Plan. Generally, awards under the nonexecutive plan vest at the end of a three-year period and will be paid in Common Units and cash. The General Partner made awards under the 2000 Propane

Plan and the nonexecutive plan representing 112,500, 43,250 and 66,075 Common Units in 2003, 2002 and 2001, respectively. At September 30, 2003 and 2002, awards representing 209,336 and 105,825 Common Units, respectively, were outstanding.

Under the 1997 UGI Corporation Directors' Equity Compensation Plan ("1997 Directors' Plan"), we make annual awards to our nonemployee Directors of (1) "Units," each representing an interest equivalent to one share of Common Stock, and (2) Common Stock for a portion of their annual retainer. Through December 31, 2002, Directors could have elected to receive the cash portion of their retainer fee and all or a portion of their meeting fees in the form of Units. The 1997 Directors' Plan also provides for the crediting of dividend equivalents in the form of additional Units. Units and dividend equivalents are fully vested when credited to a Director's account and will be converted to shares of Common Stock and paid upon retirement or termination of service. Units issued relating to annual awards and deferred compensation totaled 7,218, 14,174 and 17,334 in 2003, 2002 and 2001, respectively. At September 30, 2003 and 2002, there were 106,069 and 94,778 Units, respectively, outstanding.

FAIR VALUE INFORMATION. The per share weighted-average fair value of stock options granted under our option plans was \$2.60 in 2003, \$3.27 in 2002 and \$2.90 in 2001. These amounts were determined using the Black-Scholes option pricing model, which values options based on the stock price at the grant date, the expected life of the option, the estimated volatility of the stock, expected dividend payments, and the risk-free interest rate over the expected life of the option.

The assumptions we used for option grants during 2003, 2002 and 2001 are as follows:

	2003	2002	2001

Expected life of option	6 years	6 years	6 years
Expected volatility	21.6%	28.8%	29.1%
Expected dividend yield	6.1%	6.7%	6.6%
Risk free interest rate	3.1%	4.7%	5.0%

STOCK OWNERSHIP POLICY. Under the terms of our Stock Ownership Policy, executives and certain key employees are required to own UGI Common Stock having a fair value equal to approximately 40% to 450% of their base salaries. Prior to the enactment of the Sarbanes-Oxley Act of 2002, we offered full recourse, interest-bearing loans to employees in order to assist them in meeting the ownership requirements. Each loan may not exceed ten years and is collateralized by the Common Stock purchased. At September 30, 2003 and 2002, loans outstanding totaled \$0.4 and \$3.5, respectively. The Company is not currently offering loans under this program.

NOTE 10 - PREFERENCE STOCK PURCHASE RIGHTS

Holders of our Common Stock own one-third of one right (as described below) for each outstanding share of Common Stock. The rights expire in 2006. Each right entitles the holder to purchase one one-hundredth of a share of First Series Preference Stock, without par value, at an exercise price of \$120 per one one-hundredth of a share or, under the circumstances summarized below, to purchase the Common Stock described in the following paragraph. The rights are exercisable only if a person or group, other than certain underwriters:

1. acquires 20% or more of our Common Stock ("Acquiring Person") or
2. announces or commences a tender offer for 30% or more of our Common Stock.

We are entitled to redeem the rights at five cents per right at any time before the earlier of:

1. the expiration of the rights in April 2006 or
2. ten days after a person or group has acquired 20% of our Common Stock if a majority of continuing Directors concur and, in certain circumstances, thereafter.

Each holder of a right, other than an Acquiring Person, is entitled to purchase, at the exercise price of the right, Common Stock having a market value of twice the exercise price of the right if:

1. an Acquiring Person merges with UGI or engages in certain other transactions with us or
2. a person acquires 40% or more of our Common Stock.

In addition, if, after UGI (or an Acquiring Person) publicly announces that an Acquiring Person has become such, UGI engages in a merger or other business combination transaction in which:

1. we are not the surviving corporation, or
2. we are the surviving corporation, but our Common Stock is changed or exchanged, or
3. 50% or more of our assets or earning power is sold or transferred, then each holder of a right is entitled to purchase, at the exercise price of the right, common stock of the acquiring company having a market value of twice the exercise price of the right.

The rights have no voting or dividend rights and, until exercisable, have no dilutive effect on our earnings.

NOTE 11 - PARTNERSHIP DISTRIBUTIONS

The Partnership makes distributions to its partners approximately 45 days after the end of each fiscal quarter in a total amount equal to its Available Cash for such quarter. Available Cash generally means:

1. all cash on hand at the end of such quarter,
2. plus all additional cash on hand as of the date of determination resulting from borrowings after the end of such quarter,
3. less the amount of cash reserves established by the General Partner in its reasonable discretion.

The General Partner may establish reserves for the proper conduct of the Partnership's business and for distributions during the next four quarters. In addition, certain of the Partnership's debt agreements require reserves be established for the payment of debt principal and interest.

Distributions of Available Cash are made 98% to limited partners and 2% to the General Partner. The Partnership may pay an incentive distribution if Available Cash exceeds the Minimum Quarterly Distribution of \$0.55 ("MQD") on all units.

NOTE 12 - COMMITMENTS AND CONTINGENCIES

We lease various buildings and other facilities and transportation, computer, and office equipment under operating leases. Certain of our leases contain renewal and purchase options and also contain escalation clauses. Our aggregate

rental expense for such leases was \$47.4 in 2003, \$46.5 in 2002 and \$38.4 in 2001.

Minimum future payments under operating leases that have initial or remaining noncancelable terms in excess of one year are as follows:

	2004	2005	2006	2007	2008	After 2008
AmeriGas Propane	\$ 35.7	\$ 30.7	\$ 25.7	\$ 21.3	\$ 17.9	\$ 39.6
UGI Utilities	2.9	2.4	2.1	1.8	1.0	3.2
International Propane and other	1.5	1.2	0.9	0.7	0.6	0.1
Total	\$ 40.1	\$ 34.3	\$ 28.7	\$ 23.8	\$ 19.5	\$ 42.9

Gas Utility has gas supply agreements with producers and marketers with terms not exceeding one year. Gas Utility also has agreements for firm pipeline transportation and storage capacity, which Gas Utility may terminate at various dates through 2016. Gas Utility's costs associated with transportation and storage capacity agreements are included in its annual PGC filing with the PUC and are recoverable through PGC rates. In addition, Gas Utility has short-term gas supply agreements which permit it to purchase certain of its gas supply needs on a firm or interruptible basis at spot-market prices.

Electric Utility purchases its capacity requirements and electric energy needs under contracts with various suppliers and on the spot market. Contracts with producers for capacity and energy needs expire at various dates through 2008.

Energy Services enters into fixed price contracts with suppliers to purchase natural gas to meet its sales commitments. Generally, these contracts have terms of less than two years.

The Partnership enters into fixed price contracts to purchase a portion of its supply requirements. These contracts generally have terms of less than one year.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Millions of dollars, except per share amounts and where indicated otherwise)

Note 12 continued

The following table presents contractual obligations under Gas Utility, Electric Utility, Energy Services and AmeriGas Propane supply, storage and service contracts existing at September 30, 2003:

	2004	2005	2006	2007	2008	After 2008
Gas Utility and Electric Utility supply, storage and service contracts	\$157.1	\$ 87.9	\$ 48.1	\$ 25.1	\$ 14.7	\$ 74.0
Energy Services supply contracts	435.3	65.6	8.1	1.4	-	-
AmeriGas Propane supply contracts	16.7	-	-	-	-	-
Total	\$609.1	\$153.5	\$ 56.2	\$ 26.5	\$ 14.7	\$ 74.0

The Partnership also enters into contracts to purchase propane to meet additional supply requirements. Generally, these contracts are one- to three-year agreements subject to annual review and call for payment based on either fixed prices or market prices at date of delivery.

The Partnership has succeeded to certain lease guarantee obligations of Petrolane relating to Petrolane's divestiture of non-propane operations before its 1989 acquisition by QFB Partners. Future lease payments under these leases total approximately \$15 at September 30, 2003. The leases expire through 2010 and some of them are currently in default. The Partnership has succeeded to the indemnity agreement of Petrolane by which Texas Eastern Corporation ("Texas Eastern"), a prior owner of Petrolane, agreed to indemnify Petrolane against any liabilities arising out of the conduct of businesses that do not relate to, and are not a part of, the propane business, including lease guarantees. In December 1999, Texas Eastern filed for dissolution under the Delaware General Corporation Law. In May 2001, Petrolane filed a declaratory judgment action in the Delaware Chancery Court seeking confirmation of Texas Eastern's indemnification obligations and judicial supervision of Texas Eastern's dissolution to ensure that its indemnification obligations to Petrolane are paid or adequately provided for in accordance with law. Those proceedings are pending. Pursuant to a Liquidation and Winding Up Agreement dated September 17, 2002, PanEnergy Corporation ("PanEnergy"), Texas Eastern's sole stockholder, assumed all of Texas Eastern's liabilities as of December 20, 2002, to the extent of the value of Texas Eastern's assets transferred to PanEnergy as of that date (which was estimated to exceed \$94), and to the extent that such liabilities arise within ten years from Texas Eastern's date of dissolution. Notwithstanding the dissolution proceeding, and based on Texas Eastern previously having satisfied directly defaulted lease obligations without the Partnership's having to honor its guarantee, we believe that the probability that the Partnership will be required to directly satisfy the lease obligations subject to the indemnification agreement is remote.

On August 21, 2001, AmeriGas Partners, through AmeriGas OLP, acquired the propane distribution businesses of Columbia Energy Group (the "2001 Acquisition") pursuant to the terms of a purchase agreement (the "2001 Acquisition Agreement") by and among Columbia Energy Group ("CEG"), Columbia Propane Corporation ("Columbia Propane"), Columbia Propane, L.P. ("CPLP"), CP Holdings, Inc. ("CPH," and together with Columbia Propane and CPLP, the "Company Parties"), AmeriGas Partners, AmeriGas OLP and the General Partner (together with AmeriGas Partners and AmeriGas OLP, the "Buyer Parties"). As a result of the 2001 Acquisition, AmeriGas OLP acquired all of the stock of Columbia Propane and CPH and substantially all of the partnership interests of CPLP. Under the terms of an earlier acquisition agreement (the "1999 Acquisition Agreement"), the Company Parties agreed to indemnify the former general partners of National Propane Partners, L.P. (a predecessor company of the Columbia Propane businesses) and an affiliate (collectively, "National General Partners") against certain income tax and other losses that they may sustain as a result of the 1999 acquisition by CPLP of National Propane Partners, L.P. (the "1999 Acquisition") or the operation of the business after the 1999 Acquisition ("National Claims"). At September 30, 2003, the potential amount payable under this indemnity by the Company Parties was approximately \$65. These indemnity obligations will expire on the date that CPH acquires the remaining outstanding partnership interest of CPLP, which is expected to occur on or after July 19, 2009.

Under the terms of the 2001 Acquisition Agreement, CEG agreed to indemnify the Buyer Parties and the Company Parties against any losses that they sustain under the 1999 Acquisition Agreement and related agreements ("Losses"), including National Claims, to the extent such claims are based on acts or omissions of CEG or the Company Parties prior to the 2001 Acquisition. The Buyer Parties agreed to indemnify CEG against Losses, including National Claims, to the extent such claims are based on acts or omissions of the Buyer Parties or the Company Parties after the 2001 Acquisition. CEG and the Buyer Parties have agreed to apportion certain losses resulting from National Claims to the extent such losses result from the 2001 Acquisition itself.

From the late 1800s through the mid-1900s, UGI Utilities and its former

subsidiaries owned and operated a number of manufactured gas plants ("MGPs") prior to the general availability of natural gas. Some constituents of coal tars and other residues of the manufactured gas process are today considered hazardous substances under the Superfund Law and may be present on the sites of former MGPs. Between 1882 and 1953, UGI Utilities owned the stock of subsidiary gas companies in Pennsylvania and elsewhere and also operated the businesses of some gas companies under agreement. Pursuant to the requirements of the Public Utility Holding Company Act of 1935, UGI Utilities divested all of its utility operations other than those which now constitute Gas Utility and Electric Utility.

UGI Utilities does not expect its costs for investigation and remediation of hazardous substances at Pennsylvania MGP sites to be material to its results of operations because Gas Utility is currently permitted to include in rates, through future base rate proceedings, prudently incurred remediation costs associated with such sites. UGI Utilities has been notified of several sites outside Pennsylvania on which (1) MGPs were formerly operated by it or owned or operated by its former subsidiaries and (2) either environmental agencies or private parties are investigating the extent of environmental contamination or performing environmental remediation. UGI Utilities is currently

litigating three claims against it relating to out-of-state sites.

Management believes that under applicable law UGI Utilities should not be liable in those instances in which a former subsidiary owned or operated an MGP. There could be, however, significant future costs of an uncertain amount associated with environmental damage caused by MGPs outside Pennsylvania that UGI Utilities directly operated, or that were owned or operated by former subsidiaries of UGI Utilities, if a court were to conclude that (1) the subsidiary's separate corporate form should be disregarded or (2) UGI Utilities should be considered to have been an operator because of its conduct with respect to its subsidiary's MGP.

With respect to a manufactured gas plant site in Manchester, New Hampshire, EnergyNorth Natural Gas, Inc. ("EnergyNorth") filed suit against UGI Utilities seeking contribution from UGI Utilities for response and remediation costs associated with the contamination on the site of a former MGP allegedly operated by former subsidiaries of UGI Utilities. UGI Utilities and EnergyNorth agreed to a settlement of this matter in June 2003. UGI Utilities recorded its estimated liability for contingent payments to EnergyNorth under the terms of the settlement agreement which did not have a material effect on Fiscal 2003 net income.

In April 2003, Citizens Communications Company ("Citizens") served a complaint naming UGI Utilities as a third-party defendant in a civil action pending in United States District Court for the District of Maine. In that action, the plaintiff, City of Bangor, Maine ("City"), sued Citizens to recover environmental response costs associated with MGP wastes generated at a plant allegedly operated by Citizens' predecessors at a site on the Penobscot River. Citizens subsequently joined UGI Utilities and ten other third party defendants alleging that the third-party defendants are responsible for an equitable share of costs Citizens may be required to pay to the City for cleaning up tar deposits in the Penobscot River. The City believes that it could cost as much as \$50 to clean up the river. UGI Utilities believes that it has good defenses to the claim.

By letter dated July 29, 2003, Atlanta Gas Light Company ("AGL") served UGI Utilities with a complaint filed in the United States District Court for the Middle District of Florida in which AGL alleges that UGI Utilities is responsible for 20% of approximately \$8.0 incurred by AGL in the investigation and remediation of a former MGP site in St. Augustine, Florida. UGI Utilities formerly owned stock of the St. Augustine Gas Company, the owner and operator of the MGP. UGI Utilities believes that it has good defenses to the claim and is defending the suit.

On September 20, 2001, Consolidated Edison Company of New York ("ConEd") filed suit against UGI Utilities in the United States District Court for the Southern District of New York, seeking contribution from UGI Utilities for an allocated share of response costs associated with investigating and assessing gas plant related contamination at former MGP sites in Westchester County, New York. The complaint alleges that UGI Utilities "owned and operated" the MGPs prior to 1904. The complaint also seeks a declaration that UGI Utilities is responsible for an allocated percentage of future investigative and remedial costs at the sites. ConEd believes that the cost of remediation for all of the sites could exceed \$70. UGI Utilities believes that it has good defenses to the claim and is defending the suit. In November 2003, the court granted UGI Utilities' motion for summary judgement in part, dismissing all claims premised on a disregard of the separate corporate form of UGI Utilities' former subsidiaries and dismissing claims premised on UGI Utilities' operation of three of the MGPs under operating leases with ConEd's predecessors. The court reserved decision on the remaining theory of liability, that UGI Utilities was a direct operator of the remaining MGPs.

In addition to these matters, there are other pending claims and legal actions arising in the normal course of our businesses. We cannot predict with certainty the final results of environmental and other matters. However, it is reasonably possible that some of them could be resolved unfavorably to us. Although we currently believe, after consultation with counsel, that damages or settlements, if any, recovered by the plaintiffs in such claims or actions will not have a material adverse effect on our financial position, damages or settlements could be material to our operating results or cash flows in future periods depending on the nature and timing of future developments with respect to these matters and the amounts of future operating results and cash flows.

NOTE 13 - FINANCIAL INSTRUMENTS

In accordance with its propane price risk management policy, the Partnership uses derivative instruments, including price swap and option contracts and contracts for the forward sale of propane, to manage the cost of a portion of its forecasted purchases of propane and to manage market risk associated with propane storage inventories. These derivative instruments have been designated by the Partnership as cash flow or fair value hedges under SFAS 133. The fair values of these derivative instruments are affected by changes in propane product prices. In addition to these derivative instruments, the Partnership may also enter into contracts for the forward purchase of propane as well as fixed-price supply agreements to manage propane market price risk. These contracts generally qualify for the normal purchases and normal sales exception of SFAS 133 and therefore are not adjusted to fair value. FLAGA also uses derivative instruments, principally price swap contracts, to reduce market risk associated with purchases of propane. These contracts may or may not qualify for hedge accounting under SFAS 133.

Energy Services uses exchange-traded natural gas futures contracts to

manage market risk associated with forecasted purchases of natural gas it sells under firm commitments. These derivative instruments are designated as cash flow hedges. The fair values of these futures contracts are affected by changes in natural gas prices.

During 2003 and 2002, Gas Utility entered into natural gas call option contracts to reduce volatility in the cost of gas it purchases for retail core-market customers. Because net gains or losses associated with these contracts will be included in Gas Utility's PGC recovery mechanism, as these contracts are marked to market in accordance with SFAS 133, any gains or losses are deferred for future recovery from or refund to Gas Utility ratepayers.

During 2001, we used a managed program of derivative instruments including natural gas and oil futures contracts, to preserve gross margin associated with certain of our natural gas customers. These contracts were designated as cash flow hedges.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Millions of dollars, except per share amounts and where indicated otherwise)

Note 13 continued

Gas Utility and Electric Utility are parties to a number of contracts that have elements of a derivative instrument. These contracts include, among others, binding purchase orders, contracts which provide for the delivery of natural gas, and service contracts that require the counterparty to provide commodity storage, transportation or capacity service to meet our normal sales commitments. Although many of these contracts have the requisite elements of a derivative instrument, these contracts are not subject to the accounting requirements of SFAS 133 because they provide for the delivery of products or services in quantities that are expected to be used in the normal course of operating our business or the value of the contract is directly associated with the price or value of a service.

On occasion, we enter into interest rate protection agreements ("IRPAs") designed to manage interest rate risk associated with planned issuances of fixed-rate long-term debt. We designate these IRPAs as cash flow hedges. Gains or losses on IRPAs are included in other comprehensive income and are reclassified to interest expense as the interest expense on the associated debt issue affects earnings.

During the year ended September 30, 2003 and 2002, the net pre-tax loss recognized in earnings representing cash flow hedge ineffectiveness was \$3.1 and \$2.1, respectively. During the year ended September 30, 2001, such amount was not material. The amount of cash flow hedge gains reclassified to net income because it became probable that the original forecasted transactions would not occur was \$1.0 in 2001.

Gains and losses included in accumulated other comprehensive income at September 30, 2003 relating to cash flow hedges will be reclassified into (1) cost of sales when the forecasted purchase of propane or natural gas subject to the hedges impacts net income and (2) interest expense when interest on anticipated issuances of fixed-rate long-term debt is reflected in net income. Included in accumulated other comprehensive income at September 30, 2003 are net after-tax losses of approximately \$2.9 from IRPAs associated with forecasted issuances of debt generally anticipated to occur during the next two years. The amount of this net loss which is expected to be reclassified into net income during the next twelve months is not material. Also included in accumulated other comprehensive income at September 30, 2003 are net after-tax losses of approximately \$1.2 principally associated with future purchases of natural gas and propane generally anticipated to occur during the next twelve months. The actual amount of gains or losses on unsettled derivative instruments that ultimately is reclassified into net income will depend upon the value of such derivative contracts when settled. The fair value of derivative instruments is included in other current assets, other assets, other current liabilities and other noncurrent liabilities in the Consolidated Balance Sheets.

The carrying amounts of financial instruments included in current assets and current liabilities (excluding unsettled derivative instruments and current maturities of long-term debt) approximate their fair values because of their short-term nature. The carrying amounts and estimated fair values of our remaining financial instruments (including unsettled derivative instruments) at September 30 are as follows:

	Carrying Amount	Estimated Fair Value

2003:		
Natural gas futures and options contracts	\$ 1.1	\$ 1.1
Propane swap and option contracts	(0.6)	(0.6)
Interest rate protection agreements	0.2	0.2
Long-term debt	1,223.5	1,337.7
UGI Utilities preferred shares subject to mandatory redemption	20.0	20.9
2002:		
Natural gas futures contracts	\$ 5.1	\$ 5.1
Propane swap and option contracts	9.8	9.8
Interest rate protection agreements	(4.0)	(4.0)
Long-term debt	1,275.7	1,328.1
UGI Utilities preferred shares subject to mandatory redemption	20.0	20.4

We estimate the fair value of long-term debt by using current market prices and by discounting future cash flows using rates available for similar type debt. The estimated fair value of UGI Utilities preferred shares subject to mandatory redemption is based on the fair value of redeemable preferred stock with similar credit ratings and redemption features. Fair values of derivative instruments reflect the estimated amounts that we would receive or pay to terminate the contracts at the reporting date based upon quoted market prices of comparable contracts at September 30, 2003 and 2002.

We have financial instruments such as short-term investments and trade accounts receivable, which could expose us to concentrations of credit risk. We limit our credit risk from short-term investments by investing only in investment-grade commercial paper, money market mutual funds and securities guaranteed by the U.S. Government or its agencies. The credit risk from trade

accounts receivable is limited because we have a large customer base, which extends across many different U.S. markets. We attempt to minimize our credit risk associated with our derivative financial instruments through the application of credit policies.

NOTE 14 - ENERGY SERVICES ACCOUNTS RECEIVABLE SECURITIZATION FACILITY

Energy Services has a \$100 receivables purchase facility ("Receivables Facility") with an issuer of receivables-backed commercial paper expiring on August 26, 2006, although the Receivables Facility may terminate prior to such date due to the termination of the commitments of the Receivables Facility back-up purchasers. Under the Receivables Facility, Energy Services transfers, on an ongoing basis and without recourse, its trade accounts receivable to its wholly owned, special purpose subsidiary, Energy Services Funding Corporation ("ESFC"), which is consolidated for financial statement purposes. ESFC, in turn, has sold, and subject to certain conditions, may from time to time sell, an undivided interest in the receivables to a commercial paper conduit of a major bank. The maximum level of

funding available at any one time from this facility is \$100. The proceeds of these sales are less than the face amount of the accounts receivable sold by an amount that approximates the purchaser's financing cost of issuing its own receivables-backed commercial paper. ESFC was created and has been structured to isolate its assets from creditors of Energy Services and its affiliates, including UGI. This two-step transaction is accounted for as a sale of receivables following the provisions of SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." Energy Services continues to service, administer and collect trade receivables on behalf of the commercial paper issuer and ESFC.

During 2003 and 2002, Energy Services sold trade receivables totaling \$651.3 and \$302.4, respectively, to ESFC. During 2003 and 2002, ESFC sold an aggregate \$196.0 and \$34.0, respectively, of undivided interests in its trade receivables to the commercial paper conduit. At September 30, 2003, the outstanding balance of ESFC trade receivables was \$38.5 which amount is net of \$17 in trade receivables sold to the commercial paper conduit. At September 30, 2002, there were \$22.9 of ESFC trade receivables outstanding and no receivables had been sold to the commercial paper conduit and removed from the balance sheet. Losses on sales of receivables to the commercial paper conduit that occurred during the years ended September 30, 2003 and 2002, which losses are included in other income, net, were \$0.3 and \$0.1, respectively.

In addition, a major bank has committed to issue up to \$50 of standby letters of credit, secured by cash or marketable securities ("LC Facility"). Energy Services expects to fund the collateral requirements with borrowings under its Receivables Facility. The LC Facility expires on September 13, 2004.

NOTE 15 - CHANGES IN ACCOUNTING

TANK FEE REVENUE RECOGNITION. In order to apply the guidance of SEC Staff Accounting Bulletin No. 101 entitled "Revenue Recognition," effective October 1, 2000, the Partnership changed its method of accounting for annually billed nonrefundable tank fees. Prior to the change in accounting, nonrefundable tank fees for installed Partnership-owned tanks were recorded as revenue when billed. Under the new accounting method, revenues from such fees are being recorded on a straight-line basis over one year. As a result of this change in accounting, on October 1, 2000, we recorded an after-tax charge of \$2.1 representing the cumulative effect of the change in accounting on prior years. The change in accounting for nonrefundable tank fees did not have a material impact on reported revenues in 2003, 2002 and 2001.

ACCOUNTING FOR TANK INSTALLATION COSTS. Effective October 1, 2000, the Partnership changed its method of accounting for tank installation costs which are not billed to customers. Prior to the change in accounting, costs to install Partnership-owned tanks at customer locations were expensed as incurred. Under the new accounting method, all such costs, net of amounts billed to customers, are capitalized in property, plant and equipment and amortized over the estimated period of benefit not exceeding ten years. The Partnership believes that this accounting method better matches the costs of installing Partnership-owned tanks with the periods benefited. As a result of this change in accounting, on October 1, 2000, we recorded after-tax income of \$6.9 representing the cumulative effect of the change in accounting on prior years. The change in accounting for tank installation costs did not have a material effect on 2001 net income.

CUMULATIVE EFFECT OF ACCOUNTING CHANGES. The cumulative effect reflected on the 2001 Consolidated Statement of Income and related diluted per share amounts resulting from the above changes in accounting principles, as well as the cumulative effect resulting from the adoption of SFAS 133 (see Note 1), comprise the following:

	Pre-Tax Income (Loss)	Income Tax (Expense) Benefit	After-Tax Income (Loss)	Diluted Earnings (Loss) Per Share
Tank fees	\$ (3.5)	\$ 1.4	\$ (2.1)	\$ (0.05)
Tank installation costs	11.3	(4.4)	6.9	0.17
SFAS 133	(0.4)	0.1	(0.3)	(0.01)
Total	\$ 7.4	\$ (2.9)	\$ 4.5	\$ 0.11

NOTE 16 - PROVISION FOR SHUT-DOWN COSTS - HEARTH USA(TM)

In September 2001, after evaluating the prospects for Hearth USA(TM) in light of the weak retail environment and the capital required to expand beyond its two-store pilot phase, we committed to close both of its stores and cease all operations by the end of October 2001. Hearth USA(TM) sold, installed and serviced hearth, grill and spa products and sold related accessories from two superstores located in Rockville, Maryland and Springfield, Virginia. As a result of this action, in September 2001 we recorded a pre-tax charge of \$8.5. The pre-tax charge reflects \$3.7 associated with the impairment of leasehold improvements; \$3.2 for estimated costs associated with lease guaranty arrangements and the restoration of the leased facilities; \$1.1 associated with the write-down of inventory to net realizable value; and \$0.5 associated with vehicle lease, severance and other costs directly resulting from the decision to

close the stores. These charges and accrued costs have been reflected in the 2001 Consolidated Statement of Income as "Provision for shut-down costs - Hearth USA(TM)." At September 30, 2002, all amounts had been settled.

NOTE 17 - OTHER INCOME, NET

Other income, net, comprises the following:

	2003	2002	2001

Interest and interest-related income	\$ (6.6)	\$ (5.3)	\$ (6.7)
Utility non-tariff service income	(5.7)	(5.7)	(5.4)
Gain on sales of fixed assets	(1.6)	(1.6)	(2.4)
Pension income	(1.1)	(4.0)	(5.9)
Other	(4.8)	(1.5)	(2.6)

Total other income, net	\$(19.8)	\$(18.1)	\$(23.0)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Millions of dollars, except per share amounts and where indicated otherwise)

NOTE 18 - CONVERSION OF AMERIGAS PARTNERS SUBORDINATED UNITS AND COMMON UNIT ISSUANCE

In December 2002, the General Partner determined that the cash-based performance and distribution requirements for the conversion of the then-remaining 9,891,072 Subordinated Units of AmeriGas Partners, all of which were held by the General Partner, had been met in respect of the quarter ended September 30, 2002. As a result, in accordance with the Second Amended and Restated Agreement of Limited Partnership of AmeriGas Partners, L.P., the Subordinated Units were converted to an equivalent number of Common Units effective November 18, 2002. Concurrent with the Subordinated Unit conversion, the Company recorded a \$157.0 increase in common stockholders' equity, and a corresponding decrease in minority interests in AmeriGas Partners, associated with gains from sales of Common Units by AmeriGas Partners in conjunction with, and subsequent to, the Partnership's April 19, 1995 initial public offering. These gains were determined in accordance with the guidance in SEC Staff Accounting Bulletin No. 51, "Accounting for Sales of Common Stock by a Subsidiary" ("SAB 51"). The gains resulted because the public offering prices of the AmeriGas Partners Common Units exceeded the associated carrying amount of our investment in the Partnership on the dates of their sale. Due to the preference nature of the Common Units, the Company was precluded from recording these gains until the Subordinated Units converted to Common Units. No deferred income taxes were recorded on these gains due to the Company's intent to hold its investment in the Partnership indefinitely. The changes to the Company's balance sheet resulting from the Subordinated Unit conversion had no effect on the Company's net income or cash flow and did not result in an increase in the number of AmeriGas Partners limited partner units outstanding.

On June 17, 2003, AmeriGas Partners sold 2,900,000 Common Units in an underwritten public offering at a public offering price of \$27.12 per unit. The net proceeds of the public offering totaling \$75.0 and associated capital contributions from the General Partner totaling \$1.5, were contributed to AmeriGas OLP and used to reduce indebtedness under its bank credit agreement and for general partnership purposes. The underwriters' overallotment option expired unexercised. Concurrent with this sale of Common Units, the Company recorded a gain in the amount of \$22.6 which is reflected in the Company's balance sheet as an increase in common stockholders' equity in accordance with the guidance in SAB 51. The gain had no effect on the Company's net income or cash flow.

NOTE 19 - INVESTMENTS IN EQUITY INVESTEEES

Our principal investments accounted for using the equity method and our approximate ownership interest in each at September 30, 2003 and 2002 are as follows:

Company	Percentage Ownership
Atlantic Energy	50.0%
AGZ Holdings	19.5%
China Gas Partners	50.0%
Hunlock Creek Energy Ventures	50.0%

Income (loss) from our equity investees comprises the following:

	2003	2002	2001
Equity in income (loss) of equity investees	\$ 5.3	\$ 6.0	\$ (2.1)
Interest income on AGZ Bonds	-	0.9	0.5
Currency gain from redemption of AGZ Bonds	-	1.6	-
Total	\$ 5.3	\$ 8.5	\$ (1.6)

Undistributed net earnings (loss) of our equity investees included in consolidated retained earnings were \$3.3 and \$3.6 at September 30, 2003 and 2002, respectively.

On March 27, 2001, UGI France, Inc. ("UGI France"), a wholly owned indirect subsidiary of Enterprises, together with Paribas Affaires Industrielles ("PAI") and Medit Mediterranea GPL, S.r.l. ("Medit"), acquired, through AGZ Holdings ("AGZ"), the stock and certain related assets of Elf Antargaz, S.A., one of the largest distributors of liquefied petroleum gas in France (referred to after the transaction and herein as "Antargaz"). Prior to the transaction, Antargaz was a subsidiary of Total Fina Elf S.A., a French petroleum and chemical company. Under the

terms of the Shareholders' Funding Agreement among UGI France, PAI and Medit, we acquired an approximate 19.5% equity interest in Antargaz; PAI an approximate 68.1 % interest; Medit an approximate 9.7% interest; and certain members of management of Antargaz an approximate 2.7% interest. PAI is a leading private equity fund manager in Europe and an affiliate of BNP Paribas, one of Europe's largest commercial and investment banks. Medit is a supplier of logistics services to the liquefied petroleum gas industry in Europe, primarily Italy.

Pursuant to the Shareholders' Funding Agreement, on March 27, 2001, UGI France made a 29.8 million euro (\$26.6 U.S. dollar equivalent) investment comprising a 9.8 million euro investment in shares of AGZ and a 20.0 million euro investment in redeemable bonds of AGZ ("AGZ Bonds"). In July 2003, the Company received a dividend of 5.0 million euro (\$5.6 U.S. dollar equivalent) from AGZ. In July 2002, the Company received \$19.3 in cash from AGZ in repayment of 18 million euro face value (\$17.7 U.S. dollar equivalent) of AGZ Bonds, representing 90% of such bonds held by the Company, plus accrued interest. This repayment was funded from the proceeds of an AGZ placement of high-yield debt. Concurrent with the repayment, the remaining 2.0 million euro (10%) investment in AGZ Bonds was redeemed in the form of additional shares of AGZ. After these transactions, the Company continues to hold an approximate 19.5% equity investment in shares of AGZ. As a result of the redemption of AGZ Bonds, we recorded a pretax currency transaction gain of \$1.6 which is included in income from equity investees on the 2002 Consolidated Statement of Income. Because we believe we have significant influence over operating and financial policies of Antargaz due, in part, to our membership on its Board of Directors, our investment in AGZ shares is accounted for by the equity method.

Summarized financial information for AGZ follows:

	2003	2002	2001(a)

STATEMENT OF INCOME DATA:			
Revenues	\$ 698.4	\$ 534.8	\$ 243.8

Operating income	\$ 96.7	\$ 79.4	\$ 22.5
Interest, net	(37.7)	(27.9)	(13.9)

Income before income taxes	\$ 59.0	\$ 51.5	\$ 8.6
Income taxes	\$ (24.4)	\$ (20.7)	\$ (5.1)
Net income	\$ 32.7	\$ 29.9	\$ 2.9

BALANCE SHEET DATA (AT SEPTEMBER 30):			
Current assets	\$ 196.8	\$ 171.5	
Property, plant and equipment, net	321.6	259.5	
Goodwill	443.8	378.8	
Other assets	106.2	116.7	

Total assets	\$1,068.4	\$ 926.5	

Current liabilities	\$ 136.2	\$ 106.1	
Long-term debt	453.9	436.2	
Other liabilities	354.8	292.0	

Total liabilities	\$ 944.9	\$ 834.3	

Equity	\$ 123.5	\$ 92.2	

(a) Statement of income data is for the period March 27, 2001 to September 30, 2001.

Summarized financial information for our other equity investments are not presented because they are not material to our Consolidated Balance Sheets or Consolidated Statements of Income.

NOTE 20 - QUARTERLY DATA (UNAUDITED)

	December 31, 2002 2001		March 31, 2003 2002		June 30, 2003 2002		September 30, 2003 2002(a)	
<hr/>								
Revenues	\$739.9	\$619.4	\$1,135.9	\$764.0	\$623.1	\$446.3	\$ 527.2	\$ 384.0
Operating income (loss)	\$107.4	\$ 73.8	\$ 184.4	\$150.5	\$ 8.4	\$ 29.0	\$ 2.1	\$ (0.7)
Income (loss) from equity investees	\$ 1.9	\$ 3.8	\$ 5.0	\$ 3.7	\$ 0.2	\$ 0.7	\$ (1.8)	\$ 0.3
Net income (loss)	\$ 36.7	\$ 24.1	\$ 69.8	\$ 54.0	\$ (2.0)	\$ 4.0	\$ (5.6)	\$ (6.6)
<hr/>								
Earnings (loss) per share:								
Basic	\$ 0.88	\$ 0.59	\$ 1.66	\$ 1.31	\$(0.05)	\$ 0.10	\$ (0.13)	\$ (0.16)
Diluted	\$ 0.86	\$ 0.58	\$ 1.62	\$ 1.28	\$(0.05)	\$ 0.09	\$ (0.13)	\$ (0.16)
<hr/>								

The quarterly data above includes all adjustments (consisting only of normal recurring adjustments with the exception of those indicated below) that we consider necessary for a fair presentation. Our quarterly results fluctuate because of the seasonal nature of our businesses.

(a) Includes euro currency transaction gain resulting from the redemption of AGZ Bonds which increased income from equity investees by \$1.6 and decreased net loss by \$1.1 or \$0.03 per share.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Millions of dollars, except per share amounts and where indicated otherwise)

NOTE 21 - SEGMENT INFORMATION

We have organized our business units into five reportable segments generally based upon products sold, geographic location (domestic or international) or regulatory environment. Our reportable segments are: (1) AmeriGas Propane; (2) Gas Utility; (3) Electric Operations (comprising Electric Utility and UGLD's electricity generation business); (4) Energy Services; and (5) an international propane segment comprising FLAGA and our international propane equity investments ("International Propane").

AmeriGas Propane derives its revenues principally from the sale of propane and related equipment and supplies to retail customers from locations in 46 states. Gas Utility's revenues are derived principally from the sale and distribution of natural gas to customers in eastern and southeastern Pennsylvania. Electric Operations derives its revenues principally from the sale and distribution of electricity in two northeastern Pennsylvania counties. Energy Services revenues are derived from the sale of natural gas and, to a lesser extent, electricity and fuel oil to customers located primarily in the Eastern region of the United States. Our International Propane segment's revenues are derived principally from the distribution of propane to retail customers in Austria, the Czech Republic and Slovakia.

The accounting policies of our reportable segments are the same as those described in Note 1. We evaluate AmeriGas Propane's performance principally based upon the Partnership's earnings before interest expense, income taxes, depreciation and amortization ("Partnership EBITDA"). Although we use Partnership EBITDA to evaluate AmeriGas Propane's profitability, it 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) and is not a measure of performance or financial condition under accounting principles generally accepted in the United States of America. The Company's definition of Partnership EBITDA may be different from that used by other companies. We evaluate the performance of our Gas Utility, Electric Operations, Energy Services and International Propane segments principally based upon their income (loss) before income taxes.

No single customer represents more than ten percent of our consolidated revenues and there are no significant intersegment transactions. In addition, all of our reportable segments' revenues, other than those of our International Propane segment, are derived from sources within the United States, and all of our reportable segments' long-lived assets, other than those of our International Propane segment, are located in the United States.

UGI Corporation 2003 Annual Report

Financial information by reportable business segment follows:

	Reportable Segments							
	Total	Eliminations	AmeriGas Propane	Gas Utility	Electric Operations	Energy Services	International Propane	Corporate & Other
2003								
Revenues	\$ 3,026.1	\$ (2.4)	\$1,628.4	\$ 539.9	\$ 108.1(a)	\$ 648.7	\$ 54.5	\$ 48.9
Cost of sales	\$ 1,984.3	\$ -	\$ 910.3	\$ 343.0	\$ 55.9	\$ 620.2	\$ 27.4	\$ 27.5
Operating income	\$ 302.3	\$ -	\$ 164.5	\$ 96.1	\$ 25.9	\$ 13.6	\$ 0.7	\$ 1.5
Income (loss) from equity investees	5.3	-	(0.6)	-	-	-	5.9	-
Loss on extinguishments of debt	(3.0)	-	(3.0)	-	-	-	-	-
Interest expense	(109.2)	-	(87.1)	(15.4)	(2.3)	-	(4.1)	(0.3)
Minority interests	(34.6)	-	(34.6)	-	-	-	-	-
Income before income taxes	\$ 160.8	\$ -	\$ 39.2	\$ 80.7	\$ 23.6	\$ 13.6	\$ 2.5	\$ 1.2
Depreciation and amortization	\$ 103.0	\$ -	\$ 74.8	\$ 18.1	\$ 3.7	\$ 1.5	\$ 3.9	\$ 1.0
Partnership EBITDA (b)			\$ 234.4					
Total assets	\$ 2,781.7	\$ (39.6)	\$1,504.6	\$ 725.1	\$ 160.1	\$ 88.1	\$ 165.0	\$ 178.4
Capital expenditures	\$ 101.4	\$ -	\$ 53.4(c)	\$ 37.2	\$ 4.1	\$ 1.0	\$ 4.5	\$ 1.2
Acquisition of additional interest in Conemaugh Station	\$ 51.3	\$ -	\$ -	\$ -	\$ 51.3	\$ -	\$ -	\$ -
Investments in equity investees	\$ 39.9	\$ -	\$ 2.8	\$ -	\$ 10.3	\$ -	\$ 26.8	\$ -
Goodwill and excess reorganization value	\$ 671.5	\$ -	\$ 601.6	\$ -	\$ -	\$ 2.8	\$ 62.8	\$ 4.3
2002								
Revenues	\$ 2,213.7	\$ (2.0)	\$1,307.9	\$ 404.5	\$ 86.0(a)	\$ 332.3	\$ 46.7	\$ 38.3
Cost of sales	\$ 1,296.6	\$ -	\$ 653.1	\$ 241.7	\$ 48.6	\$ 310.9	\$ 22.6	\$ 19.7
Operating income	\$ 253.3	\$ -	\$ 145.0	\$ 77.1	\$ 13.2	\$ 11.1	\$ 3.9	\$ 3.0
Income (loss) from equity investees	8.5	-	0.3	-	-	-	8.3(d)	(0.1)
Loss on extinguishments of debt	(0.7)	-	(0.7)	-	-	-	-	-
Interest expense	(109.1)	-	(87.8)	(14.2)	(2.4)	-	(4.2)	(0.5)
Minority interests	(28.0)	-	(28.0)	-	-	-	-	-
Income before income taxes	\$ 124.0	\$ -	\$ 28.8	\$ 62.9	\$ 10.8	\$ 11.1	\$ 8.0	\$ 2.4
Depreciation and amortization	\$ 93.5	\$ -	\$ 66.4	\$ 19.0	\$ 3.2	\$ 0.8	\$ 3.2	\$ 0.9
Partnership EBITDA (b)			\$ 209.6					
Total assets	\$ 2,614.4	\$ (34.1)	\$1,492.2	\$ 689.1	\$ 109.0	\$ 57.2	\$ 141.1	\$ 159.9
Capital expenditures	\$ 94.7	\$ -	\$ 53.5	\$ 31.0	\$ 4.9	\$ 0.9	\$ 3.9	\$ 0.5
Investments in equity investees	\$ 35.5	\$ -	\$ 3.4	\$ -	\$ 10.0	\$ -	\$ 22.1	\$ -
Goodwill and excess reorganization value	\$ 644.9	\$ -	\$ 589.1	\$ -	\$ -	\$ -	\$ 53.1	\$ 2.7
2001								
Revenues	\$ 2,468.1	\$ (2.8)	\$1,418.4	\$ 500.8	\$ 83.9	\$ 370.7	\$ 50.9	\$ 46.2
Cost of sales	\$ 1,632.4	\$ -	\$ 847.0	\$ 322.9	\$ 51.9	\$ 357.3	\$ 28.4	\$ 24.9
Operating income (loss)	\$ 229.0	\$ (0.4)	\$ 133.8	\$ 87.8	\$ 10.7	\$ 7.3	\$ 0.8	\$ (11.0)
Loss from equity investees	(1.6)	-	-	-	-	-	(1.5)(d)	(0.1)
Interest expense	(104.8)	0.4	(80.3)	(16.3)	(2.7)	(0.4)	(4.9)	(0.6)
Minority interests	(23.6)	-	(23.6)	-	-	-	-	-
Income (loss) before income taxes	\$ 99.0	\$ -	\$ 29.9	\$ 71.5	\$ 8.0	\$ 6.9	\$ (5.6)	\$ (11.7)
Depreciation and amortization	\$ 105.2	\$ -	\$ 75.5	\$ 20.2	\$ 3.6	\$ 0.3	\$ 4.3	\$ 1.3
Partnership EBITDA (b)			\$ 220.3					
Total assets	\$ 2,550.2	\$ (43.3)	\$1,522.3	\$ 678.9	\$ 105.5	\$ 44.7	\$ 141.2	\$ 100.9
Capital expenditures	\$ 79.3	\$ -	\$ 39.2(c)	\$ 31.8	\$ 5.0	\$ 0.2	\$ 2.7	\$ 0.4
Investments in equity investees	\$ 44.8	\$ -	\$ 3.2	\$ -	\$ 10.8	\$ -	\$ 30.8(e)	\$ -
Goodwill and excess reorganization value	\$ 641.1	\$ -	\$ 589.0	\$ -	\$ -	\$ -	\$ 48.6	\$ 3.5

(a) Electric Operations' 2003 and 2002 revenues include UGID's unregulated electricity generation revenues totaling \$19.3 and \$2.6, respectively.

(b) The following table provides a reconciliation of Partnership EBITDA to AmeriGas Propane operating income:

Year ended September 30,	2003	2002	2001

Partnership EBITDA	\$234.4	\$209.6	\$220.3
Depreciation and amortization (i)	(74.6)	(66.1)	(74.7)
Minority interests (ii)	1.1	1.1	0.7
Income (loss) from equity investees	0.6	(0.3)	-
Loss on extinguishments of debt	3.0	0.7	-
Cumulative effect of accounting changes	-	-	(12.5)

Operating income	\$164.5	\$145.0	\$133.8

(i) Excludes General Partner depreciation and amortization of \$0.2, \$0.3, and \$0.8 in 2003, 2002, and 2001, respectively.

(ii) Principally represents the General Partner's 1.01% interest in AmeriGas OLP.

(c) Includes capital leases of \$0.5 and \$1.3 in 2003 and 2001, respectively.

(d) In addition to equity income (loss) of international propane equity investees, (1) 2002 amount includes a currency transaction gain of \$1.6 from the redemption of AGZ Bonds and \$0.9 of interest income on AGZ Bonds and (2) 2001 amount includes \$0.5 of interest income on AGZ Bonds.

(e) Includes investment in AGZ Bonds of \$18.2.

CODE OF ETHICS
FOR
CHIEF EXECUTIVE OFFICER AND
SENIOR FINANCIAL OFFICERS
OF
UGI CORPORATION

Introduction

The reputation for integrity of UGI Corporation (the "Company") is a valuable asset that is vital to the Company's success. To enhance the Company's ability to maintain its reputation for integrity, the Board of Directors of the Company (the "Board") has adopted this Code of Ethics, which applies to the Company's Chief Executive Officer (the "CEO"), Chief Financial Officer and Principal Accounting Officer (together the "Senior Financial Officers"). This Code of Ethics is designed to give the CEO and Senior Financial Officers a broad understanding of the conduct that we expect from them to protect and enhance our reputation for integrity.

Each employee of the Company is responsible for conducting his or her duties in a manner that demonstrates a commitment to the highest standards of integrity. This integrity is critical to ensure that the Company's business is conducted in an honest and ethical manner and in compliance with the law. The purpose of this Code is to focus the CEO and Senior Financial Officers on areas of ethical risk, help them to recognize and deal with ethical issues, explain the mechanisms available to them to report unethical conduct and foster a culture of honesty and accountability.

Implementation and Oversight of This Code

The Board, acting through its Audit Committee, is ultimately responsible for the implementation of this Code. The Board has designated the Vice President and General Counsel to be the compliance officer (the "Compliance Officer") for the implementation and administration of this Code. Statements in this Code to the effect that certain actions may be taken only with the "Company's approval" mean that the Audit Committee of the Board or the Board of Directors acting through its independent members must give prior written approval before the proposed action may be undertaken. You should feel free to direct questions to the Compliance Officer.

You should read this Code in conjunction with the Company's Code of Business Conduct and Ethics for Directors, Officers and Employees. For simplicity sake, we will refer to both codes together as the "Code." We will ask you to certify on an annual basis that you are in compliance with the Code.

Requests for Waiver of Any Provision of this Code

You must submit any requests for a waiver of any provision of this Code in writing to the Compliance Officer for review. Only the independent members of the Board or the Audit Committee of the Board have the authority to waive any provision of this Code. If a waiver of any provision of this Code is granted to you, the Company must publicly disclose the nature of the granted waiver, including any implicit waiver, your name, the date of the waiver and any other disclosures as and to the extent required by any SEC rule or applicable stock exchange listing standard.

Compliance with Law and Regulations

A variety of laws apply to the Company and its operations, and some laws carry criminal penalties. These laws include, but are not limited to, federal environmental, securities, antitrust and occupational safety laws, and federal and state laws governing the Company's status as a public company. Examples of criminal violations of the law include making false or misleading disclosures in documents filed with the Securities and Exchange Commission (the "SEC"); trading on inside information; stealing, embezzling or misapplying the Company's funds; making a payment for an expressed purpose on the Company's behalf to an individual who intends to use it for a different purpose; or making payments, whether from your funds or the Company's funds, of cash or other items of value that are intended improperly to influence the judgment or actions of political candidates, government officials or businesspersons in connection with any of the Company's activities. The Company will investigate, address and report, as appropriate, violations of law. It is your responsibility to comply with the laws, rules and regulations applicable to you personally as a senior executive of the Company. You cannot delegate that responsibility to another person or to the Company.

Avoiding Actual, Potential or Apparent Conflicts of Interest

The Company requires you to conduct your outside associations and personal business, financial and other relationships in a manner that will avoid any actual, potential or apparent conflict of interest between you and the Company. The term "outside association" refers to any affiliation, association, interest or employment that you have with an entity other than with the Company. It is impractical to set forth rules that cover all situations in which a conflict of interest may arise. The basic factor in all conflict of interest situations is, however, the division of loyalty or the appearance of a division of loyalty, between the Company's best interests and your interests. Guidelines with respect to several of the more sensitive areas in which actual, potential or apparent conflicts of interest are likely to occur are set forth below. We emphasize, however, that the following is not an exhaustive list of problem areas, but rather a guide in applying the Company's basic conflict of interest policy to any situation.

Business Relationships

You may have a conflict of interest if you, a member of your immediate family or your business or financial partner owns or has a substantial direct or indirect investment in an entity with which the Company has or is likely to have a business relationship or with which the Company competes. Investments in small amounts of the stocks or bonds of a publicly held company should not alone give rise to any conflict of interest. The question of when an investment may become so substantial as to possibly affect or appear to affect your judgment is largely dependent on the particular circumstances and must be considered on a case-by-case basis.

A conflict of interest may also arise when you, a member of your immediate family or your business or financial partner holds a position as director, officer, employee or partner of or consultant, broker, finder or intermediary with an entity with which the Company has or is likely to have a business relationship or with which the Company competes or is likely to compete. In addition, a conflict of interest may arise if you, a member of your immediate family or your business or financial partner incurs significant indebtedness to an entity whose business may be affected by your actions on behalf of the Company.

Any associations, interests and business or financial relationships that you have that might cause you to act in ways that are not in the best interests of the Company, or that create the appearance of divided loyalties, will be permitted only with the Company's approval. In some circumstances, a relationship will only be permitted if the proposed transaction is competitive and/or fairly bargained for. Notwithstanding the foregoing, a transaction between the Company and any of your outside associations will be permitted if it is first reported, reviewed and approved in the manner prescribed by the Board or Audit Committee and set forth below.

Acceptance of Gifts

You may not, without the Company's approval, accept, either directly or indirectly, gifts, favors, entertainment or anything else of more than nominal value from persons or entities with which the Company has or is likely to have a business relationship. Payment of expenses for attendance at appropriate business meals and conferences will not ordinarily be considered the receipt of a gratuity under this section. (The Company's Code of Business Conduct and Ethics for Directors, Officers and Employees provides some examples of other permissible gifts and should be consulted for a discussion on this subject.)

Outside Activities/Employment

Unless expressly authorized by the Company, any outside association, including activities with other entities, should not encroach on the time and attention you are expected to devote to your Company duties and responsibilities, adversely affect the quality or quantity of your work product for the Company or entail your use of any Company assets, including its real and personal property, or imply (without the Company's approval) the Company's sponsorship or support. In addition, under no circumstances are you permitted to compete with the Company or take for yourself, your family members or any business or financial partner any business or financial opportunity belonging to the Company that you discover or that is made available to you by virtue of your position with the Company.

Civic/Political Activities

The Company supports your participation in civic, charitable and political activities so long as such participation does not encroach on the time and attention that you are expected to devote to Company duties and responsibilities. Unless the Company expressly sanctions the activity, you are to conduct any such activities in a manner that does not involve the Company or its assets or create an appearance of Company involvement or endorsement.

Reporting Procedure

You must report promptly to the Compliance Officer the existence of any outside association, interest, relationship or activity, as it arises, that actually, potentially or apparently involves a conflict of interest. Failure to report such relationships, activities and interests will be a ground for disciplinary action. The Compliance Officer will notify the Board or Audit Committee of any actual, potential or apparent conflict of interest. You must cooperate fully in the review process by providing all information that the Compliance Officer or the Audit Committee deems necessary to its review.

You must sign annually a statement reflecting your continuing awareness and understanding of this Code, including its conflicts of interest policy. At the same time, you must report either the absence or presence of actual, potential or apparent conflicts of interest, including such conflicts involving others within the Company of which you are aware.

All interests, relationships or participation in transactions disclosed by any employee in accordance with this policy shall be held in confidence unless disclosure is required by law or applicable listing standards or is in the best interests of the Company.

Resolution of Conflicts

In all cases, actual, potential or apparent conflicts of interest must be handled in an ethical manner; in particular, they must be fully disclosed and considered prior to being resolved. The Compliance Officer or, where appropriate, the Audit Committee will handle all questions of actual, potential or apparent conflicts of interest that involve you. Actual, potential or apparent conflicts of interest may be approached in the following ways, among others:

- In the case of an offer of a gift, the appropriate resolution may be for you to accept or reject the gift.
- Where the nature of the conflict of interest is such that you are unable to disclose the details thereof without breaching other confidences, you may, upon notice to the Audit Committee, remove yourself from all meetings, discussions and actions at which such conflict of interest is considered.
- Where you can disclose the details of the conflict of interest, the Audit Committee may determine the proper action on its own or in consultation with the Board.
- Any outside association, interest, relationship or participation in a transaction that is fully disclosed in writing to, and is approved in writing by, the Audit Committee or the Board shall not be deemed to involve a conflict of interest for purposes of this Code.
- When it is concluded that there is an actual, apparent or potential conflict of interest, the Audit Committee or the Board may suspend you from all or some of your duties or

require you to perform other duties with the Company for such period of time as is deemed appropriate or may request that you resign from your position with the Company.

- In the event that the conflict of interest involves an outside association, the Company may permanently cease doing business with the association.

Full, Fair, Accurate and Timely Disclosures by the Company to the Public

Because you participate, directly or indirectly, in the preparation of the financial and other disclosures that the Company makes to the public, including disclosures in its filings with the SEC or by press releases, you must, in addition to complying with all applicable laws, rules and regulations, follow these guidelines:

- Ensure full, fair, timely, accurate and understandable disclosure in the Company's filings with the SEC to the best of your ability.
- Through leadership, including communication, make sure that employees of the Company understand the Company's obligations to the public and under the law with respect to its disclosures.
- Encourage employees to raise questions and concerns regarding the Company's public disclosures and ensure that such questions and concerns are appropriately addressed.
- Provide the Company's directors, employees, consultants and advisors involved in the preparation of the Company's disclosures to the public with information that is accurate, complete, objective, relevant, timely and understandable.
- Act in good faith, responsibly, and with due care, competence and diligence, without misrepresenting material facts or allowing your independent judgment to be compromised by others.
- Ensure that the recording of entries in the Company's books and records is accurate to the best of your knowledge.
- Comply with the Company's disclosure controls and procedures and internal controls and procedures for financial reporting.

Prompt Internal Reporting of Violations of This Code

If you violate or think you have violated any provision of this Code, or if you observe, learn of, or, in good faith, suspect that another person subject to this Code has violated any of its provisions, you must immediately report the actual or suspected violation to the Compliance Officer who will promptly notify the Chairman of the Audit Committee of the Board of such violation. If you report an actual or suspected violation in good faith, the Company may not

subject you to retaliation of any kind. A violation of the requirement to report violations or to cooperate in a Code investigation may result in disciplinary action.

Accountability for Complying With This Code

Reported violations of this Code will be investigated and addressed promptly and the identity of the reporting person treated confidentially to the extent possible. We strive to impose discipline for each Code violation that fits the nature and particular facts of the violation. We generally will issue warnings or letters of reprimand for less significant, first-time violations. Violations of a more serious nature may result in suspension without pay, demotion, loss or reduction of bonus or option awards, or any combination of such disciplinary violations. Termination of employment generally is reserved for violations amounting to a breach of trust, such as fraud or theft, or for cases where a person has engaged in multiple violations.

The SEC treats violations of the Code that go unaddressed as implicit waivers of the Code. Accordingly, any violation that is discovered and not addressed will have to be disclosed in accordance with the rules and regulations of the SEC or applicable stock exchange listing standards. In such cases, the SEC's rules currently require disclosure of the nature of any violation, the date of the violation and the name of the person who committed the violation. Such disclosure could be harmful to the Company. Moreover, depending on the nature of the violation, the violator may be dismissed or her or his duties and responsibilities with the Company changed significantly.

SUBSIDIARIES OF UGI CORPORATION

SUBSIDIARY - - - - -	OWNERSHIP - - - - -	STATE OF INCORPORATION - - - - -
AMERIGAS, INC.	100%	PA
FOUR FLAGS DRILLING COMPANY, INC.	100%	PA
AMERIGAS PROPANE, INC. *	100%	PA
AmeriGas Partners, L.P.	(1)	DE
AmeriGas Finance Corp.	100%	DE
AmeriGas Propane L.P.	98.9899%	DE
AmeriGas Eagle Propane, L.P.	99%	DE
AmeriGas Eagle Parts & Service, Inc.	100%	PA
AmeriGas Propane Parts & Service, Inc.	100%	PA
AmeriGas Eagle Propane, Inc.	100%	DE
AmeriGas Eagle Holdings, Inc. **	100%	DE
Active Propane of Wisconsin LLC	100%	DE
AmeriGas Eagle Finance Corp.	100%	DE
AP Eagle Finance Corp.	100%	DE
AmeriGas Technology Group, Inc.	100%	PA
Petrolane Incorporated	100%	PA
ASHTOLA PRODUCTION COMPANY	100%	PA
UGI ETHANOL DEVELOPMENT CORPORATION	100%	PA
NEWBURY HOLDING COMPANY	100%	DE
UGI ENTERPRISES, INC.	100%	PA
CFN ENTERPRISES, INC.	100%	DE
CF Networks LLC	60%	DE
EASTFIELD INTERNATIONAL HOLDINGS, INC.	100%	DE
Flaga GmbH	100%	AUSTRIA
Flaga Energieversorgung	100%	GERMANY
Flaga Plyn, spol. s r.o.	100%	CZECH REPUBLIC
Flaga Slovplyn, spol. s r.o.	100%	SLOVAKIA
Flaga Tech Trade GmbH	100%	AUSTRIA
Osterreichische Flussiggas-Gesellschaft m.b.H.	40%	AUSTRIA
T.S.G.- Transport - und Speditionsgesellschaft m.b.H.	50%	AUSTRIA
G.T.P. Gas Trans Praha spol. s r.o.	60%	CZECH REPUBLIC
GTE Gastrans-Erfurt-GmbH	90%	GERMANY
EUROGAS HOLDINGS, INC.	100%	DE
HEARTH USA, INC.	100%	DE
MCHUGH SERVICE COMPANY	100%	PA
UGI ENERGY SERVICES, INC.	100%	PA
Energy Services Funding Corporation	100%	DE
Hellertown Pipeline Company	100%	PA
Homestead Holding Company	100%	DE
UGI DEVELOPMENT COMPANY	100%	PA
UGID Holding Company	100%	DE
UGI Hunlock Development Company	100%	PA
UGI POWER SUPPLY, INC.	100%	PA
UGI INTERNATIONAL ENTERPRISES, INC.	100%	PA
UGI France, Inc.	100%	DE
UGI BLACK SEA ENTERPRISES, INC.	100%	PA
UGI INTERNATIONAL (ROMANIA), INC.	100%	PA
UGI ROMANIA, INC.	100%	PA
UGI INTERNATIONAL (CHINA), INC.	100%	DE
UGI CHINA, INC.	100%	DE
UGI SOUTHWEST CHINA DEVELOPMENT COMPANY, LLC	100%	DE
UGI HVAC ENTERPRISES, INC.	100%	DE
UGI PROPERTIES, INC.	100%	PA
UGI UTILITIES, INC.	100%	PA
UNITED VALLEY INSURANCE COMPANY	100%	VT

(1) AmeriGas Propane, Inc. and its subsidiary, Petrolane Incorporated, hold a combined 50.7% interest in AmeriGas Partners, L.P.

* Sole General Partner of each of AmeriGas Partners, L.P. and AmeriGas Propane, L.P.

** Sole General Partner of AmeriGas Eagle Propane, L.P.

EXHIBIT 23

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 33-47319, 33-61722, 333-22305, 333-37903, 333-49080 and 333-104938) and Form S-3 (No. 33-78776 and 333-42296) of UGI Corporation of our report dated November 17, 2003 relating to the financial statements and financial statement schedules, which appears in this Form 10-K.

PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
December 23, 2003

CERTIFICATIONS

I, Lon R. Greenberg, certify that:

1. I have reviewed this annual report on Form 10-K of UGI Corporation;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(d)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors:
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

- (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 16, 2003

/s/ Lon R. Greenberg

Lon R. Greenberg
Chairman, President and
Chief Executive Officer of
UGI Corporation

I, Anthony J. Mendicino, certify that:

1. I have reviewed this annual report on Form 10-K of UGI Corporation;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(d)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors:
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

- (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 16, 2003

/s/ Anthony J. Mendicino

Anthony J. Mendicino
Senior Vice President - Finance and
Chief Financial Officer of
UGI Corporation

CERTIFICATION BY THE CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
RELATING TO A PERIODIC REPORT CONTAINING FINANCIAL STATEMENTS

I, Lon R. Greenberg, Chief Executive Officer, and I, Anthony J. Mendicino, Chief Financial Officer, of UGI Corporation, a Pennsylvania corporation (the "Company"), hereby certify that:

- (1) The Company's periodic report on Form 10-K for the period ended September 30, 2003 (the "Form 10-K") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

* * *

CHIEF EXECUTIVE OFFICER

/s/ Lon R. Greenberg

Lon R. Greenberg

Date: December 18, 2003

CHIEF FINANCIAL OFFICER

/s/ Anthony J. Mendicino

Anthony J. Mendicino

Date: December 18, 2003

A signed original of this written statement required by Section 906 has been provided to UGI Corporation and will be retained by UGI Corporation and furnished to the Securities and Exchange Commission or its staff upon request.