INERGY L P
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October 01, 2010
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Registration No. 333-169220

INERGY HOLDINGS UNITHOLDERS

MERGER PROPOSED YOUR VOTE IS VERY IMPORTANT

Inergy, L.P. (Inergy) and Inergy Holdings, L.P. (Holdings) have entered into a First Amended and Restated Agreement and Plan of Merger, dated as of September 3, 2010 (the merger agreement), as part of a plan to simplify their capital structures. Through a number of steps, Holdings will merge into a wholly owned subsidiary of its general partner and the outstanding common units in Holdings (the Holdings common units) will be cancelled. In connection with the merger, the incentive distribution rights in Inergy held by Holdings will be cancelled, and Inergy will acquire the approximate 0.6% economic general partner interest in Inergy that is held by its non-managing general partner. After the merger, Holdings will continue to control Inergy through Holdings ownership of Inergy s managing general partner. On August 7, 2010, Inergy and Holdings entered into an Agreement and Plan of Merger, which we refer to throughout this proxy statement/prospectus as the original merger agreement. The merger agreement amends and restates the original merger agreement in its entirety.

Upon completion of the merger, the holders of Holdings common units (the Holdings unitholders) will receive 0.77 common units of Inergy (the Inergy LP units) for each Holdings common unit that they own (the exchange ratio). The exchange ratio includes 1,080,453 Inergy LP units that are owned by Holdings that will be distributed to the Holdings unitholders as part of the merger consideration. The exchange ratio is fixed and will not be adjusted to reflect Inergy LP unit price changes prior to the closing of the merger. The exchange ratio represents an 8.9% premium to Holdings unitholders based on the 20-trading day average closing prices of Holdings common units and Inergy LP units ending August 6, 2010, the last trading day before the public announcement of the proposed merger. Holders of Inergy LP units (the Inergy unitholders) will continue to own their existing Inergy LP units. Holdings common units currently trade on the NYSE under the symbol NRGP, and Inergy LP units currently trade on the NYSE under the symbol NRGY. **We urge you to obtain current market quotations of Holdings common units and Inergy LP units.**

In lieu of a portion of the merger consideration to which they are otherwise entitled, certain members of senior management and directors of Holdings general partner and other beneficial owners of Holdings common units have agreed to take 11,568,560 Class B units, which are convertible into Inergy LP units. The Class B units will convert automatically into Inergy LP units on a one-for-one basis in two tranches over a two-year period. Until the Class B units are converted into Inergy LP units, distributions on Class B units will be paid in additional Class B units issued in kind no later than 45 days after the end of each quarter following consummation of the merger.

Based on the estimated number of Inergy LP units that will be outstanding immediately prior to the closing of the merger, we estimate that, following consummation of the merger, Inergy will be owned approximately 60.4% by current Inergy unitholders and approximately 39.6% by former Holdings unitholders. Holdings common units will cease to be publicly traded upon consummation of the merger. Inergy LP units will continue to be traded on the NYSE under the symbol NRGY following consummation of the merger.

YOUR VOTE IS VERY IMPORTANT. As a condition to the completion of the merger, the affirmative vote of the holders of a majority of the Holdings common units outstanding and entitled to vote on the proposal is required. Certain directors and members of senior management, who beneficially own approximately 57.9% of the Holdings common units, have conditionally agreed to vote their Holdings common units in favor of the merger, the merger agreement (as amended, supplemented, restated or otherwise modified from time to time) and the transactions contemplated thereby.

Approval of the merger by the Inergy unitholders is not required. Therefore, no solicitation of approval of the Inergy unitholders is being made.

Holdings will hold a special meeting on November 2, 2010 at 10:00 a.m., local time, at its principal executive offices located at Two Brush Creek Boulevard, Suite 200, Kansas City, Missouri 64112. Whether or not you plan to attend the Holdings special meeting, to ensure your Holdings common units are represented at the meeting, please complete and submit the enclosed proxy card as soon as possible or transmit your voting instructions by using the telephone or internet as described on your proxy card.

The independent conflicts committee (the Holdings Conflicts Committee) of the board of directors (the Holdings Board) of Inergy Holdings GP, LLC, the general partner of Holdings (Holdings GP), has determined that the merger, the merger agreement and the transactions contemplated thereby are fair and reasonable to, and in the best interest of, Holdings and the Holdings unitholders other than Holdings GP and its affiliates, officers and directors (the unaffiliated Holdings unitholders) and recommended that the Holdings Board approve the merger, the merger agreement and the transactions contemplated thereby. Based in part on the Holdings Conflicts Committee s determination and recommendation, the Holdings Board has unanimously approved (with the board member who is also a member of management recusing himself) the merger, the merger agreement and the transactions contemplated thereby, and recommends that the Holdings unitholders vote FOR the proposal to approve the merger, the merger agreement and the transactions contemplated thereby.

This proxy statement/prospectus gives you detailed information about the Holdings special meeting and the proposed merger. Inergy and Holdings both urge you to read carefully this entire proxy statement/prospectus, including all of its annexes. **In particular, please read Risk Factors beginning on page 25 of this proxy**

statement/prospectus for a discussion of risks relevant to the merger, Inergy and other matters.

John J. Sherman

President and Chief Executive Officer

Inergy Holdings GP, LLC

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities to be issued under this proxy statement/prospectus or has passed upon the adequacy or accuracy of the disclosure in this proxy statement/prospectus. Any representation to the contrary is a criminal offense.

This proxy statement/prospectus is dated October 1, 2010 and is first being mailed to the Holdings unitholders on or about October 2, 2010.

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NOTICE OF SPECIAL MEETING OF

INERGY HOLDINGS, L.P. UNITHOLDERS

TO BE HELD ON NOVEMBER 2, 2010

To the Unitholders of Inergy Holdings, L.P.:

This is a notice that a special meeting of the unitholders of Inergy Holdings, L.P. (Holdings) will be held on November 2, 2010 at 10:00 a.m., local time, at its principal executive offices located at Two Brush Creek Boulevard, Suite 200, Kansas City, Missouri 64112. The purpose of the special meeting is:

1. To consider and vote upon the approval of the First Amended and Restated Agreement and Plan of Merger (the merger agreement) by and among Inergy, L.P. (Inergy), Inergy GP, LLC, the managing general partner of Inergy (Inergy GP), Holdings, Inergy Holdings GP, LLC, the general partner of Holdings (Holdings GP), NRGP Limited Partner, LLC, a wholly owned subsidiary of Holdings GP (New NRGP LP), and NRGP MS, LLC, a wholly owned subsidiary of Holdings GP (MergerCo), dated as of September 3, 2010, as such agreement may be amended from time to time, pursuant to which, among other things, MergerCo will merge with and into Holdings, the separate existence of MergerCo will cease and Holdings will survive and continue to exist as a Delaware limited partnership, such that immediately following consummation of the merger, Holdings GP will continue to be the sole general partner of Holdings, and Holdings GP and New NRGP LP will remain as the only holders of limited partner interests in Holdings; and

2. To transact such other business as may properly come before the special meeting and any adjournment or postponement thereof.

A copy of the merger agreement is attached as Annex A to this proxy statement/prospectus.

The independent conflicts committee (the Holdings Conflicts Committee) of the board of directors of Holdings GP (the Holdings Board) has determined that the merger, the merger agreement and the transactions contemplated thereby are fair and reasonable to, and in the best interest of, Holdings and the Holdings unitholders other than Holdings GP and its affiliates, officers and directors and recommended that the Holdings Board approve the merger, the merger agreement and the transactions contemplated thereby. Based in part on the Holdings Conflicts Committee s determination and recommendation, the Holdings Board has unanimously approved (with the board member who is also a member of management recusing himself) the merger, the merger agreement and the transactions contemplated thereby, and recommends that the Holdings unitholders vote FOR the proposal to approve the merger, the merger agreement and the transactions contemplated thereby.

The proposal described in paragraph 1 above requires the affirmative vote of the holders of a majority of the common units of Holdings outstanding and entitled to vote at the meeting as of the record date. Certain directors and members of senior management, who beneficially own approximately 57.9% of the Holdings common units, have conditionally agreed to vote their Holdings common units in favor of the merger, the merger agreement and the transactions contemplated thereby. The approval and adoption of the proposal described in paragraph 1 is a condition to consummation of the merger. Only Holdings unitholders of record at the close of business on October 1, 2010, the record date, are entitled to receive this notice and to vote at the Holdings special meeting or any adjournment or postponement of that meeting.

Whether or not you plan to attend the Holdings special meeting, please submit your proxy with voting instructions as soon as possible. If you hold common units of Holdings in your name as a unitholder of record, please complete, sign, date and return the accompanying proxy card in the enclosed self-addressed stamped envelope, use the toll-free telephone number shown on the proxy card or use the internet website shown on the proxy card. If you hold your Holdings common units through a bank or broker, please use the voting instructions you have received from your bank or broker. Submitting your proxy will not prevent you from attending the Holdings special meeting and voting in person. Please note, however, that if you hold your Holdings common units through a bank or broker and you wish to vote in person at the Holdings special meeting, you must obtain

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from your bank or broker a proxy issued in your name. You may revoke your proxy by attending the Holdings special meeting and voting your Holdings common units in person at the Holdings special meeting. You may also revoke your proxy at any time before it is voted by giving written notice of revocation to at the address provided with the proxy card at or before the Holdings special meeting or by submitting a proxy with a later date.

The accompanying document describes the proposed merger in more detail. We urge you to read carefully the entire document before voting your Holdings common units at the Holdings special meeting or submitting your voting instructions by proxy.

By Order of the Board of Directors of Inergy Holdings GP, LLC, the general partner of Inergy Holdings, L.P.

Laura L. Ozenberger
Senior Vice President, General Counsel and Secretary
Kansas City, Missouri

October 1, 2010

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IMPORTANT NOTE ABOUT THIS PROXY STATEMENT/PROSPECTUS

This proxy statement/prospectus, which forms part of a registration statement on Form S-4 filed with the Securities and Exchange Commission (the SEC), constitutes a proxy statement under Section 14(a) of the Securities Exchange Act of 1934, as amended (the Exchange Act), of Holdings with respect to the solicitation of proxies for the Holdings special meeting to, among other things, approve the merger, the merger agreement and the transactions contemplated thereby. This proxy statement/prospectus is also a prospectus of Inergy under Section 5 of the Securities Act of 1933, as amended (the Securities Act), for Inergy LP units that Holdings unitholders will receive in the merger.

As permitted under the rules of the SEC, this proxy statement/prospectus incorporates by reference important business and financial information about Inergy and Holdings from other documents filed with the SEC that are not included in or delivered with this proxy statement/prospectus. Please read Where You Can Find More Information beginning on page 163. This information is available to you without charge upon your request. You can obtain documents incorporated by reference in this proxy statement/prospectus by requesting them in writing or by telephone from Inergy or Holdings at the following addresses and telephone numbers:

Inergy, L.P.	Inergy Holdings, L.P.
Two Brush Creek Boulevard	Two Brush Creek Boulevard
Suite 200	Suite 200
Kansas City, Missouri 64112	Kansas City, Missouri 64112
(816) 842-8181	(816) 842-8181
Attention: Investor Relations	Attention: Investor Relations

Please note that copies of the documents provided to you will not include exhibits, unless the exhibits are specifically incorporated by reference into the documents or this proxy statement/prospectus.

You may obtain certain of these documents at Inergy s website, *www.inergylp.com*, by selecting Inergy, L.P. under Investor Relations and then selecting SEC Filings, and at Holdings website, *www.inergylp.com*, by selecting Inergy Holdings, L.P. under Investor Relations and then selecting SEC Filings. Information contained on Inergy s and Holdings websites is expressly not incorporated by reference into this proxy statement/prospectus.

In order to receive timely delivery of the documents in advance of the Holdings special meeting, your request should be received no later than October 26, 2010.

Inergy and Holdings have not authorized anyone to provide any information or make any representation about the merger and related matters or about Inergy or Holdings that is different from, or in addition to, that contained in this proxy statement/prospectus or in any of the materials that have been incorporated by reference into this proxy statement/prospectus. Therefore, if anyone distributes this type of information, you should not rely on it. If you are in a jurisdiction where offers to exchange or sell, or solicitations of offers to exchange or purchase, the securities offered by this proxy statement/prospectus or the solicitation of proxies is unlawful, or you are a person to whom it is unlawful to direct these types of activities, then the offer presented in this proxy statement/prospectus does not extend to you. The information contained in this proxy statement/prospectus speaks only as of the date of this proxy statement/prospectus unless the information specifically indicates that another date applies.

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QUESTIONS AND ANSWERS ABOUT THE MERGER

In the following questions and answers, selected information from this proxy statement/prospectus has been highlighted, but all of the information that may be important to the holders of Holdings common units, which we refer to as the Holdings unitholders, regarding the merger and the other transactions contemplated by the merger agreement has not been included. To better understand the merger and the other transactions contemplated by the merger agreement, and for a complete description of their legal terms, please read carefully this proxy statement/prospectus in its entirety, including all of its annexes, as well as the documents incorporated by reference into this proxy statement/prospectus. Please read Important Note About This Proxy Statement/Prospectus on page iv and Where You Can Find More Information beginning on page 163.

Q: Why am I receiving these materials?

A: Inergy and Holdings have agreed to simplify their capital structures through a number of steps under the terms of a merger agreement that is described in this proxy statement/prospectus and attached hereto as Annex A. The merger cannot be completed without obtaining the appropriate approval of the Holdings unitholders. Holdings will hold a special meeting of its common unitholders to obtain this approval. Approval of the merger by the Inergy unitholders is not required. Therefore, no solicitation of approval of the Inergy unitholders is being made.

Q: Why are Inergy and Holdings proposing the merger?

A: Inergy and Holdings both believe that the merger and the transactions contemplated by the merger agreement will provide substantial benefits to the Inergy unitholders and the Holdings unitholders by creating a single, publicly traded partnership that is better positioned to compete in the marketplace. The board of directors (the Inergy Board) of Inergy GP, LLC, the managing general partner of Inergy (Inergy GP), and the Holdings Board both believe that the merger is expected to provide the following benefits, among others, to the Inergy unitholders and the Holdings unitholders:

- reducing Inergy s cost of equity capital as a result of the elimination of the incentive distribution rights in Inergy (the IDRs), which will enhance Inergy s ability to compete for future acquisitions and finance organic growth projects;
- attracting a broader investor base to a single, larger entity with increased public float and greater liquidity;
- preserving Inergy s balance sheet flexibility and liquidity position through an equity exchange transaction; and
- increasing investor transparency by simplifying the ownership structure and governance structure.

Q: What will Holdings unitholders receive in connection with the merger?

A: If the merger is completed, each Holdings unitholder will be entitled to receive 0.77 Inergy LP units for each Holdings common unit. As a result, the merger consideration will consist of (i) approximately 35.2 million Inergy LP units that will be issued by Inergy to the Holdings unitholders, (ii) 1,080,453 Inergy LP units directly owned by Holdings that will be distributed by Holdings to the Holdings unitholders, and (iii) 11,568,560 Class B units that will be issued by Inergy to certain members of senior management and directors of Holdings GP and other beneficial owners of Holdings common units (the PIK Recipients). The exchange ratio represents an 8.9% premium to Holdings unitholders based on the 20-trading day average closing prices of Holdings common units and Inergy LP units ending August 6, 2010, the

last trading day before the public announcement of the proposed merger.

The Class B units will convert automatically into Inergy LP units on a one-for-one basis, with 50% of the outstanding Class B units converting into Inergy LP units following the payment date of the fourth quarterly

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distribution following the closing of the merger and the remaining outstanding Class B units converting into Inergy LP units following the payment date of the eighth quarterly distribution following the closing of the merger. Until the Class B units are converted into Inergy LP units, distributions on Class B units will be paid in additional Class B units issued in kind no later than 45 days after the end of each quarter following consummation of the merger. Inergy has also agreed to assume all of Holdings indebtedness under its credit agreements, of which approximately $24.5 million was outstanding as of October 1, 2010.

If the exchange ratio would result in a Holdings unitholder being entitled to receive a fraction of an Inergy LP unit or Class B unit, that Holdings unitholder will be entitled to receive, in lieu of such fractional interest, a cash payment in an amount equal to the product of (a) the volume weighted average trading price of Inergy LP units as reported by Bloomberg during the 20-trading day period ending on the third trading day immediately preceding the date on which the effective time of the merger occurs and (b) the fraction of an Inergy LP unit or Class B unit, as applicable, that such holder would otherwise be entitled to receive. For additional information regarding exchange procedures, please read The Merger Agreement Merger Consideration Exchange Procedures.

Q: How do I exchange my Holdings common units for Inergy LP units?

A: Each holder of record of Holdings common units at the close of business on the effective date of the merger will receive a letter of transmittal and other appropriate and customary transmittal materials that will contain instructions for the surrender of Holdings common units for Inergy LP units.

Q: Do I have appraisal rights?

A: No. Holdings unitholders do not have appraisal rights under Holdings partnership agreement, the merger agreement or applicable Delaware law.

Q: Will Holdings unitholders be able to trade Inergy LP units that they receive pursuant to the merger?

A: Yes. Inergy LP units received pursuant to the merger will be registered under the Securities Act and will be listed on the New York Stock Exchange (the NYSE) under the symbol NRGY. All Inergy LP units that each Holdings unitholder receives in the merger will be freely transferable unless such Holdings unitholder is deemed to be an affiliate of Inergy following consummation of the merger for purposes of U.S. federal securities laws.

Q: What will Inergy unitholders receive in connection with the merger?

A: Inergy unitholders will not receive any consideration in the merger. Inergy unitholders will continue to own their existing Inergy LP units.

Q: What happens to distributions by Inergy?

A: Once the merger is completed and Holdings unitholders receive their Inergy LP units, when distributions are approved and declared by Inergy GP and paid by Inergy, the former Holdings unitholders and the current Inergy unitholders will receive distributions on their Inergy LP units.

Q: As a Holdings unitholder, what happens to the payment of distributions for the quarter in which the merger is effective?

A: If the merger is completed before the record date for a quarterly distribution, Holdings unitholders will receive no quarterly distribution from Holdings; instead, a Holdings unitholder will receive Inergy distributions on all Inergy LP units such unitholder received in the merger. If the merger closes after the record date, Holdings unitholders will receive distributions on Holdings common units held as of the record date. However, Holdings unitholders will not receive distributions from both Holdings and Inergy for the same quarter. Inergy and Holdings typically pay distributions approximately 45 days after the end of each quarter to holders of record on the applicable record date, with the record date generally set approximately one week prior to the distribution date.

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With respect to the quarterly cash distribution for the fourth quarter ended September 30, 2010, management of Holdings intends to recommend to the Holdings Board that: (i) the record date for the quarterly distribution be October 22, 2010, (ii) the distribution be declared in the amount of $0.34 per common unit ($1.36 annualized), and (iii) the distribution be paid on October 29, 2010.

Q: What will happen to Holdings after the merger?

A: Under the terms of the merger agreement, NRGP MS, LLC, a wholly owned subsidiary of Holdings GP (MergerCo), will merge with and into Holdings, the separate existence of MergerCo will cease and Holdings will survive and continue to exist as a Delaware limited partnership. In connection with and immediately following consummation of the merger, Holdings GP will continue to be the sole general partner of Holdings, and Holdings GP and NRGP Limited Partner, LLC, a wholly owned subsidiary of Holdings GP (New NRGP LP), will remain as the only holders of limited partner interests in Holdings. As a result of the transactions contemplated by the merger agreement, the outstanding Holdings common units and the IDRs in Inergy that Holdings owns will be cancelled and trading of Holdings common units on the NYSE will cease. Holdings purpose will be limited to owning all of the non-economic limited liability company interests in, and being the sole member of, Inergy GP, and Holdings GP will cause Holdings not to engage, directly or indirectly, in any business activity other than the ownership, and being a member, of Inergy GP and immaterial or administrative actions related thereto, without the prior consent of the New NRGP LP.

Q: When do you expect the merger to be completed?

A: A number of conditions must be satisfied before the merger can be consummated, including the approval of the merger by Holdings unitholders and the effectiveness of the registration statement on Form S-4, of which this proxy statement/prospectus is a part, relating to Inergy LP units to be received by Holdings unitholders. We expect to complete the merger promptly following the Holdings special meeting, which we currently anticipate will occur in the fourth quarter of 2010.

Q: After completion of the merger, will I be able to vote to elect directors of the Inergy Board?

A: No. As the sole member of Inergy GP, Holdings will continue to have the power to appoint members of the Inergy Board.

Q: After the merger, who will direct the activities of Inergy?

A: Pursuant to the proposed Third Amended and Restated Agreement of Limited Partnership of Inergy (the amended and restated partnership agreement) that will be in effect after the merger, the Inergy Board will direct the activities of Inergy. The amended and restated partnership agreement is attached as Annex B to this proxy statement/prospectus and is incorporated into this proxy statement/prospectus by reference.

Q: What are the expected U.S. federal income tax consequences to a Holdings unitholder as a result of the transactions contemplated by the merger agreement?

A: Under current law, it is anticipated that for U.S. federal income tax purposes no income or gain should be recognized by a Holdings unitholder solely as a result of the transactions contemplated by the merger agreement (the Transactions) other than an amount of income or gain, which Holdings expects to be immaterial, due to (i) any decrease in a Holdings unitholder s share of partnership liabilities pursuant to Section 752 of the U.S. Internal Revenue Code of 1986, as amended (the Internal Revenue Code), (ii) any actual or constructive distributions of cash or other property, and (iii) amounts paid by one person to or on behalf of another person pursuant to the merger

agreement.

Please read Risk Factors Tax Risks Related to the Transactions beginning on page 33 and Material U.S. Federal Income Tax Consequences of the Transactions Tax Consequences of the Transactions to Holdings Unitholders beginning on page 125.

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Q: What are the expected U.S. federal income tax consequences for a Holdings unitholder of the ownership of Inergy LP units after the Transactions are completed?

A: Each Holdings unitholder who becomes an Inergy unitholder as a result of the Transactions will, as is the case for existing Inergy unitholders, be required to report on its U.S. federal income tax return such unitholder s distributive share of Inergy s income, gains, losses, deductions and credits. In addition to U.S. federal income taxes, such a holder will be subject to other taxes, including state and local income taxes, unincorporated business taxes, and estate, inheritance or intangibles taxes that may be imposed by the various jurisdictions in which Inergy conducts business or owns property or in which the unitholder is resident.

Please read U.S. Federal Income Taxation of Ownership of Inergy LP Units and Class B Units beginning on page 130.

Q: What Holdings unitholder and Inergy unitholder approvals are required?

A: The approval of the merger, the merger agreement and the transactions contemplated thereby requires the affirmative vote of the holders of a majority of the common units of Holdings outstanding and entitled to vote at the Holdings special meeting as of the record date.

Certain directors and members of senior management, who beneficially own approximately 57.9% of the Holdings common units, have conditionally agreed to vote their Holdings common units in favor of the merger, the merger agreement and the transactions contemplated thereby pursuant to a support agreement dated August 7, 2010 among Inergy and such unitholders (a copy of which is attached as Annex C to this proxy statement/prospectus). These unitholders beneficially own a sufficient number of Holdings common units to approve the merger, the merger agreement and the transactions contemplated thereby. Please read Interests of Certain Persons in the Merger Support Agreement beginning on page 149.

The approval of the merger, the merger agreement and the transactions contemplated thereby does not require a vote of Inergy unitholders.

Q: Who is entitled to vote at the Holdings special meeting?

A: All of Holdings common unitholders of record at the close of business on October 1, 2010, the record date for the Holdings special meeting, are entitled to receive notice of and to vote at the Holdings special meeting.

Q: What do I need to do now?

A: After you have carefully read this proxy statement/prospectus, please respond by completing, signing and dating your proxy card and returning it in the enclosed postage-paid envelope or by submitting your proxy or voting instruction by telephone or through the internet as soon as possible so that your Holdings common units will be represented and voted at the Holdings special meeting.

If your Holdings common units are held in street name, please refer to your proxy card or the information forwarded by your broker or other nominee to see which options are available to you. The internet and telephone proxy submission procedures are designed to authenticate Holdings unitholders and to allow you to confirm that your instructions have been properly recorded.

The method you use to submit a proxy will not limit your right to vote in person at the Holdings special meeting if you later decide to attend the special meeting. If your Holdings common units are held in the name of a broker or other nominee, you must obtain a proxy, executed in your favor from the holder of record, to be able to vote in person at the Holdings special meeting.

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Q: If my Holdings common units are held in street name by my broker or other nominee, will my broker or other nominee vote my units for me?

A: No. If your Holdings common units are held in the name of a broker, bank or other nominee, you are considered the beneficial holder of the Holdings common units held for you in what is known as street name. You are not the record holder of such Holdings common units. If this is the case, this proxy statement/prospectus has been forwarded to you by your broker, bank or other nominee. As the beneficial holder, unless your broker, bank or other nominee has discretionary authority over your Holdings common units, you generally have the right to direct your broker, bank or other nominee as to how to vote your Holdings common units. If you do not provide voting instructions, your Holdings common units will not be voted on any proposal on which your broker, bank or other nominee does not have discretionary authority. This is often called a broker non-vote. In connection with the Holdings special meeting, broker non-votes will have the same effect as a vote AGAINST the proposal to adopt the merger agreement. You should therefore provide your broker, bank or other nominee with instructions as to how to vote your Holdings common units.

Please follow the voting instructions provided by your broker, bank or other nominee so that it may vote your Holdings common units on your behalf. Please note that you may not vote Holdings common units held in street name by returning a proxy card directly to Holdings or by voting in person at the Holdings special meeting unless you first obtain a proxy from your broker, bank or other nominee.

Q: What will happen if I fail to vote or I abstain from voting?

A: If you are a Holdings unitholder and fail to vote, fail to instruct your broker, bank or other nominee to vote, or mark your proxy or voting instructions to abstain, it will have the effect of a vote AGAINST the proposal to adopt the merger agreement.

Q: If I am a Holdings unitholder with certificated units, should I send in my unit certificates with my proxy card?

A: No. Please DO NOT send your Holdings common unit certificates with your proxy card. A letter of transmittal for your Holdings common units and instructions will be delivered to you in a separate mailing. If your Holdings common units are held in street name by your broker or other nominee, you should follow their instructions.

Q: If I am planning on attending the Holdings special meeting in person, should I still submit a proxy?

A: Yes. Whether or not you plan to attend the Holdings special meeting, you should submit a proxy. Generally, Holdings common units will not be voted if the holder of Holdings common units does not submit a proxy and if that holder does not vote in person at the Holdings special meeting. Failure to submit a proxy would have the same effect as a vote against all the proposals at the Holdings special meeting.

Q: What do I do if I want to change my vote after I have delivered my proxy card?

A: You may change your vote at any time before Holdings common units are voted at the Holdings special meeting. You can do this in any of the three following ways:

by sending a written notice to American Stock Transfer & Trust Company in time to be received before the Holdings special meeting stating that you revoke your proxy;

by completing, signing and dating another proxy card and returning it by mail in time to be received before the Holdings special meeting or by submitting a later dated proxy by telephone or the internet, in which case your later-submitted proxy will be recorded and your earlier proxy revoked; or

if you are a holder of record, or if you hold a proxy in your favor executed by a holder of record, by attending the Holdings special meeting and voting in person.

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If your Holdings common units are held in an account at a broker or other nominee, you should contact your broker or other nominee to change your vote.

Q: What should I do if I receive more than one set of voting materials for the Holdings special meeting?

A: You may receive more than one set of voting materials for the Holdings special meeting and the materials may include multiple proxy cards or voting instruction cards. For example, you will receive a separate voting instruction card for each brokerage account in which you hold Holdings common units. If you are a holder of record registered in more than one name, you will receive more than one proxy card. Please complete, sign, date and return each proxy card and voting instruction card that you receive according to the instructions on it.

Q: Can I submit my proxy by telephone or the internet?

A: Yes. In addition to mailing your proxy, you may submit it telephonically or on the internet. Voting instructions for using the telephone or internet are described on your proxy card.

Q: Who can I contact with questions about the Holdings special meeting or the merger and related matters?

A: If you have any questions about the merger and the other matters contemplated by this proxy statement/prospectus or how to submit your proxy or voting instruction card, or if you need additional copies of this proxy statement/prospectus or the enclosed proxy card or voting instruction card, you should contact:

Investor Relations

Inergy Holdings, L.P.

Attention: Mike Campbell

(816) 842-8181

investorrelations@inergyservices.com

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SUMMARY

This brief summary highlights selected information from this proxy statement/prospectus. It does not contain all of the information that may be important to you. To understand the merger fully and for a complete description of the terms of the merger agreement and related matters, you should read carefully this proxy statement/prospectus, the documents incorporated by reference and the full text of the annexes to this proxy statement/prospectus. Please read Where You Can Find More Information beginning on page 163.

The Parties to the Merger Agreement (page 84)

Inergy, L.P.

Inergy is a publicly traded Delaware limited partnership. Inergy owns and operates a geographically diverse retail and wholesale propane supply, marketing and distribution business. Inergy s propane business includes the retail marketing, sale and distribution of propane, including the sale and lease of propane supplies and equipment, to residential, commercial, industrial and agricultural customers. In addition to its propane operations, Inergy also owns and operates a midstream business that includes three natural gas storage facilities, a liquefied petroleum gas storage facility, a natural gas liquids business and a solution-mining and salt production company.

The executive offices of Inergy are located at Two Brush Creek Boulevard, Suite 200, Kansas City, Missouri 64112. The telephone number is (816) 842-8181.

Inergy Holdings, L.P.

Holdings is a publicly traded Delaware limited partnership. Holdings owns the following direct and indirect partnership interests:

- a 100% non-economic limited liability company interest in Inergy GP, the managing general partner of, and owner of the non-economic general partner interest in, Inergy;
- a 100% limited liability company interest in Inergy Partners, LLC, a direct and indirect wholly owned subsidiary of Holdings and the non-managing general partner of Inergy (Inergy Partners), which currently owns an approximate 0.6% economic general partner interest in Inergy;
- 4,706,689 Inergy LP units, representing an approximate 6.0% limited partner interest in Inergy, consisting of (i) the 1,080,453 Inergy LP units directly owned by Holdings that will be distributed to Holdings unitholders as part of the merger consideration, and (ii) an aggregate of 3,626,236 Inergy LP units directly owned by IPCH Acquisition Corp., a wholly owned subsidiary of Holdings (IPCH), and Inergy Partners, which will be converted into Class A units of equivalent value in connection with the merger; and
- all of Inergy s IDRs.

The IDRs entitle Holdings to receive amounts equal to specified percentages of the incremental amount of cash distributed by Inergy to the holders of Inergy LP units when target distribution levels for each quarter are exceeded. The target distribution levels begin at $0.33 and increase in steps to the highest target distribution level of $0.45 per eligible Inergy LP unit. When Inergy makes quarterly distributions above $0.45 per eligible Inergy LP unit, the incentive distributions include an amount equal to 48% of the incremental cash distributed to each eligible Inergy unitholder for the quarter. The Inergy IDRs currently participate at the maximum 48% target cash distribution level in all distributions made by Inergy above the current distribution level.

The executive offices of Holdings are located at Two Brush Creek Boulevard, Suite 200, Kansas City, Missouri 64112. The telephone number is (816) 842-8181.

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NRGP MS, LLC

NRGP MS, LLC, which we sometimes refer to as MergerCo, is a direct wholly owned subsidiary of Holdings GP, the general partner of Holdings. MergerCo was formed solely for the purpose of consummating the merger. MergerCo has not carried on any activities to date, except for activities incidental to its formation and activities undertaken in connection with the transactions contemplated by the merger agreement.

The Proposed Merger (page 91)

Under the merger agreement, MergerCo will merge with and into Holdings, the separate existence of MergerCo will cease and Holdings will survive and continue to exist as a Delaware limited partnership. In connection with and immediately following consummation of the merger, Holdings GP will continue to be the sole general partner of Holdings, and Holdings GP and New NRGP LP will remain as the only holders of limited partner interests in Holdings. As a result of the transactions contemplated by the merger agreement, the outstanding Holdings common units and the IDRs in Inergy that Holdings owns will be cancelled and trading of Holdings common units on the NYSE will cease.

The merger agreement is attached as Annex A to this proxy statement/prospectus and is incorporated into this proxy statement/prospectus by reference.

Please read the merger agreement carefully and fully as it is the legal document that governs the merger. For a summary of the merger agreement, please read The Merger Agreement beginning on page 97.

Merger Consideration (page 97)

If the merger is completed, each Holdings unitholder will be entitled to receive 0.77 Inergy LP units per Holdings common unit. As a result, the merger consideration will consist of (i) approximately 35.2 million Inergy LP units that will be issued by Inergy to the Holdings unitholders, (ii) 1,080,453 Inergy LP units directly owned by Holdings that will be distributed by Holdings to the Holdings unitholders, and (iii) 11,568,560 Class B units that will be issued by Inergy to the PIK Recipients. The exchange ratio represents an 8.9% premium to Holdings unitholders based on the 20-trading day average closing prices of Holdings common units and Inergy LP units ending August 6, 2010, the last trading day before the public announcement of the proposed merger.

The Class B units will convert automatically into Inergy LP units on a one-for-one basis, with 50% of the outstanding Class B units converting into Inergy LP units following the payment date of the fourth quarterly distribution following the closing of the merger and the remaining outstanding Class B units converting into Inergy LP units following the payment date of the eighth quarterly distribution following the closing of the merger. Until the Class B units are converted into Inergy LP units, distributions on the Class B units will be paid in additional Class B units issued in kind no later than 45 days after the end of each quarter following the consummation of merger. For a further description of the Class B units, please read Description of Inergy Units Class B Units.

In connection with the merger, the IDRs will be cancelled. Inergy has also agreed to assume all of Holdings indebtedness under its credit agreements and will acquire Holdings ownership interests in IPCH and Inergy Partners. As a result of the acquisition of these interests, the 789,202 Inergy LP units owned by IPCH and the 2,837,034 Inergy LP units and the approximate 0.6% economic general partner interest in Inergy owned by Inergy Partners will be converted into Class A units in Inergy of equivalent value.

Transactions Related to the Merger (page 92)

Amended and Restated Partnership Agreement

Immediately following the effective time of the merger, Inergy s existing partnership agreement will be amended and restated. Under Inergy s amended and restated partnership agreement: (i) the limited partner

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interest represented by the IDRs will be cancelled; (ii) the limited partner interests represented by Class A units, which will be issued to IPCH and Inergy Partners, will be established; (iii) the limited partner interests represented by Class B units, which will be issued to the PIK Recipients, will be established; (iv) Inergy Partners approximate 0.6% economic general partner interest (including rights to ownership, profit or any rights to receive distributions from operations or the liquidation of Inergy) will be eliminated, and Inergy Partners will withdraw as the non-managing general partner of Inergy; and (v) certain legacy provisions that are no longer applicable to Inergy will be eliminated.

For a summary of the amended and restated partnership agreement, please read The Amended and Restated Partnership Agreement of Inergy beginning on page 113.

The foregoing description of the amended and restated partnership agreement is qualified in its entirety by reference to the full text of the form of amended and restated partnership agreement, which is attached as Annex B to this proxy statement/prospectus and is incorporated by reference into this proxy statement/prospectus.

Support Agreement

John J. Sherman, Phillip L. Elbert, R. Brooks Sherman, Jr., Andrew L. Atterbury, William C. Gautreaux and Carl A. Hughes (the Holdings Supporting Unitholders) have conditionally agreed to vote their Holdings common units in favor of the merger and the merger agreement (as amended, supplemented, restated or otherwise modified from time to time) pursuant to a support agreement dated August 7, 2010 among Inergy and such unitholders (a copy of which is attached as Annex C to this proxy statement/prospectus). As of October 1, 2010, the Holdings Supporting Unitholders beneficially owned 35,987,774 Holdings common units, representing approximately 57.9% of all outstanding Holdings common units. The Holdings Supporting Unitholders beneficially own a sufficient number of Holdings common units to approve the merger, the merger agreement and the transactions contemplated thereby.

Under the support agreement, the Holdings Supporting Unitholders conditionally agreed to vote their Holdings common units (a) in favor of the approval and adoption of the merger agreement, the approval of the merger and any other action required in furtherance thereof, (b) against any acquisition proposal (as defined in the merger agreement), and (c) against any action, agreement or transaction that would or would reasonably be expected to materially impede, interfere with, delay, postpone, discourage, frustrate the purposes of or adversely affect the merger or the other transactions contemplated by the merger agreement. The support agreement terminates upon, among other things, the termination of the merger agreement or a change in recommendation by the Holdings Board. In addition, the support agreement will terminate immediately after December 31, 2010 unless all parties have agreed to a continuation of the support agreement beyond that date. For additional information, please read Interests of Certain Persons in the Merger Support Agreement.

The foregoing description of the support agreement is qualified in its entirety by reference to the full text of the support agreement, which is attached as Annex C to this proxy statement/prospectus and is incorporated by reference into this proxy statement/prospectus.

Amendment No. 1 to the Existing Partnership Agreement of Holdings

Prior to the effective time of the merger but in contemplation thereof, Holdings GP will amend Holdings existing partnership agreement to provide for the creation of a new class of limited partner interest in Holdings (the Holdings nonparticipating limited partner units). In general, under Amendment No. 1 to the Amended and Restated Agreement of Limited Partnership of Holdings (Amendment No. 1 to the existing partnership agreement of Holdings), the Holdings nonparticipating limited partner units will not (i) be entitled to allocations of Holdings income, gain, loss, deduction and credit, (ii) have the right to share in any distributions made to

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Holdings unitholders, (iii) be entitled to vote and (iv) be entitled to receive any merger consideration in connection with the merger. In connection with Amendment No. 1 to the existing partnership agreement of Holdings, Holdings GP and New NRGP LP will be admitted to Holdings as limited partners holding 99% and 1%, respectively, of the Holdings nonparticipating limited partner units.

The foregoing description of Amendment No. 1 to the existing partnership agreement of Holdings is qualified in its entirety by reference to the full text of the form of Amendment No. 1 to the existing partnership agreement of Holdings, which is included as an annex to the merger agreement that is attached as Annex A to this proxy statement/prospectus and is incorporated by reference into this proxy statement/prospectus.

Directors and Executive Officers of Inergy GP Following the Merger (page 150)

Inergy GP will continue to direct the activities of Inergy after the merger. Inergy GP s management team will continue in their current roles and will manage Inergy GP following consummation of the merger. As the sole member of Inergy GP, Holdings will continue to have the power to appoint members of the Inergy Board. The five current members of the Inergy Board are expected to continue as directors of the Inergy Board. Shortly prior to the announcement of the merger, Mr. Richard T. O Brien was extended an offer to join the Inergy Board after the completion of the merger; however, to date no decision has been made.

Recommendation of the Holdings Conflicts Committee and the Holdings Board and Reasons for the Merger (page 50)

The Holdings Conflicts Committee determined that the merger, the merger agreement and the transactions contemplated thereby, were fair and reasonable to, and in the best interests of, Holdings and the Holdings unitholders other than Holdings GP and its affiliates, officers and directors (the unaffiliated Holdings unitholders). In addition, the Holdings Conflicts Committee approved and declared advisable the merger, the merger agreement and the transactions contemplated thereby, such approval by the Holdings Conflicts Committee constituting Special Approval under the Holdings partnership agreement. Also, the Holdings Conflicts Committee recommended that the Holdings Board approve the merger, the merger agreement and the transactions contemplated thereby, and recommended that the Holdings Board cause Holdings GP and Holdings to execute and deliver the merger agreement and consummate the transactions contemplated thereby, and submit the proposal for approval of the merger, the merger agreement and transactions contemplated thereby, to the Holdings unitholders for approval at a special meeting. In reaching its determination, the Holdings Conflicts Committee consulted with and received the advice of its independent financial and legal advisors, considered potential alternatives available to Holdings, including the uncertainties and risks facing it, and considered the interests of the unaffiliated Holdings unitholders.

Based in part on the Holdings Conflicts Committee s determination, Special Approval and recommendation, the Holdings Board unanimously approved (with the board member who is also a member of management recusing himself) the merger, the merger agreement and the transactions contemplated thereby and recommended that the Holdings unitholders vote FOR the proposal to approve the merger, the merger agreement and the transactions contemplated thereby.

To review the background of and the Holdings Conflicts Committee s and the Holdings Board s reasons for the merger in greater detail, please read Special Factors Background of the Merger beginning on page 36 and Special Factors Recommendation of the Holdings Conflicts Committee and the Holdings Board and Reasons for the Merger beginning on page 50. To review certain risks related to the merger, please read Risk Factors beginning on page 25.

Conditions to the Completion of the Merger (page 107)

Before Inergy and Holdings can complete the merger, a number of conditions must be satisfied, or where permissible waived, by Inergy or Holdings, as appropriate. For the complete list of conditions to the completion of the merger, please read The Merger Agreement Conditions to the Completion of the Merger.

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Relationship of the Parties (page 84)

Holdings directly owns all of the non-economic limited liability company interests in Inergy GP, which is the managing general partner of Inergy. Holdings directly owns all of the capital stock of IPCH, which owns 789,202 Inergy LP units, representing approximately 1.0% of the outstanding Inergy LP units. Holdings directly and indirectly owns all of the limited liability company interests of Inergy Partners, which owns 2,837,034 Inergy LP units, representing approximately 3.6% of the outstanding Inergy LP units, and an approximate 0.6% economic general partner interest in Inergy. Holdings directly owns 1,080,453 Inergy LP units, representing approximately 1.4% of the outstanding Inergy LP units, and all of Inergy s IDRs.

Since Holdings initial public offering (IPO) in June 2005, distributions by Inergy have increased from $0.510 per Inergy LP unit for the quarter ended June 30, 2005 to $0.705 per Inergy LP unit for the quarter ended June 30, 2010. As a result, distributions from Inergy to Holdings have increased.

The following table summarizes the cash Holdings received for the years ended September 30, 2007, 2008 and 2009 and the nine months ended June 30, 2010 as a result of its direct and indirect ownership of partnership interests in Inergy (in millions):

	Year Ended September 30,			Nine Months Ended June 30,
	2007	2008	2009	2010
Incentive distribution payments from Inergy	$ 27.1	$ 35.8	$ 46.5	$ 47.8
Distributions from the ownership of economic general partner interest	1.4	1.5	1.6	1.3
Distributions from the direct and indirect ownership of 4,706,689 Inergy LP units	9.7	11.5	12.3	9.7
	$ 38.2	$ 48.8	$ 60.4	$ 58.8

In addition, Messrs. John J. Sherman, Warren H. Gfeller and Arthur B. Krause serve as members of both the Holdings Board and Inergy Board. The executive officers of Holdings GP are also executive officers of Inergy GP.

Information About the Holdings Special Meeting and Voting (page 86)

Where and when: The Holdings special meeting will take place at its principal executive offices located at Two Brush Creek Boulevard, Suite 200, Kansas City, Missouri 64112, on November 2, 2010 at 10:00 a.m., local time.

What Holdings unitholders are being asked to vote on: At the Holdings special meeting, Holdings unitholders will be asked to consider and vote on the following matters:

- a proposal to approve the merger, the merger agreement and the transactions contemplated thereby; and
- any proposal to transact such other business as may properly come before the Holdings special meeting and any adjournment or postponement thereof.

Who may vote: You may vote at the Holdings special meeting if you owned Holdings common units at the close of business on the record date, October 1, 2010. You may cast one vote for each Holdings common unit that you owned on the record date.

How to vote: Please complete and submit the enclosed proxy card as soon as possible or transmit your voting instructions by using the telephone or internet procedures described on your proxy card.

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What vote is needed: The affirmative vote of the holders of a majority of the common units of Holdings outstanding and entitled to vote at the meeting as of the record date is required to approve the merger, the merger agreement and the transactions contemplated thereby.

Recommendation of the Holdings Board: The Holdings Board unanimously recommends that you vote FOR the proposal to approve the merger, the merger agreement and the transactions contemplated thereby.

The approval of the merger and the merger agreement by the Holdings unitholders is a condition to the completion of the merger.

Risk Factors (page 25)

You should consider carefully all of the risk factors together with all of the other information included in this proxy statement/prospectus before deciding how to vote. Certain risks related to the merger are described under the caption Risk Factors beginning on page 25 of this proxy statement/prospectus. Some of these risks include, but are not limited to, those described below:

- the directors and executive officers of Inergy GP and of Holdings GP may have interests that differ from your interests;
- at the effective time, the market value of Inergy LP units to be received in the merger could decrease and Holdings unitholders cannot be sure of the market value of such Inergy LP units;
- no ruling has been obtained with respect to the tax consequences of the Transactions; and
- the benefits of the merger may not be realized.

Appraisal Rights (page 93)

Holdings unitholders do not have appraisal rights under Holdings partnership agreement, the merger agreement or applicable Delaware law.

Solicitation of Other Offers by Holdings (page 106)

Commencing on the sixty-first (61st) calendar day after this proxy statement/prospectus is first filed with the SEC (the window-shop period), Holdings is prohibited from knowingly initiating, soliciting or encouraging the submission of any acquisition proposal (as defined in the merger agreement) or from participating in any discussions or negotiations regarding, or furnishing to any person any non-public information with respect to, any acquisition proposal, subject to certain exceptions. Notwithstanding these restrictions, at any time prior to the approval of the merger agreement by Holdings unitholders, Holdings is permitted to enter into or participate in any discussions or negotiations with any party that has made a solicited (prior to the expiration of the window-shop period) or an unsolicited written acquisition proposal if the Holdings Board determines, after consultation with its outside legal counsel and financial advisors, that such acquisition proposal constitutes or is likely to result in a superior proposal (as defined in the merger agreement) and that failure to take such action would be inconsistent with its fiduciary duties under the existing partnership agreement of Holdings and applicable law. Please read The Merger Agreement Solicitation of Other Offers by Holdings beginning on page 106.

In addition, Holdings may terminate the merger agreement and enter into a definitive agreement with respect to a superior proposal. Please read The Merger Agreement Solicitation of Other Offers by Holdings Change in Recommendation by the Holdings Board on page 107.

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Termination of Merger Agreement (page 109)

The merger agreement may be terminated at any time prior to the effective time of the merger in any of the following ways:

by mutual written consent of Holdings and Inergy.

by either Holdings or Inergy upon written notice to the other:

if the merger is not completed on or before December 31, 2010 (the termination date) unless the failure of the closing to occur by this date is primarily due to the failure of the party seeking to terminate the merger agreement to fulfill any material obligation under the merger agreement or a material breach of the merger agreement by such party;

if any regulatory authority has issued a final and nonappealable statute, rule, order, decree or regulation or taken any other action that permanently restrains, enjoins or prohibits the consummation of the merger or makes the merger illegal, provided that the terminating party is not in breach of its obligation to use commercially reasonable best efforts to complete the merger promptly;

if there has been a material breach of the support agreement; provided, that Holdings is not entitled to terminate the merger agreement if Holdings has breached any of its obligations described under The Merger Agreement Solicitation of Other Offers by Holdings beginning on page 106;

if there has been a material breach of or any material inaccuracy in any of the representations or warranties set forth in the merger agreement on the part of any of the other parties, which breach has not been cured within 30 days after receiving notice from the terminating party, or which breach, by its nature, cannot be cured prior to the termination date. However, the terminating party itself must not be in material breach of any representation, warranty, covenant or agreement. In order for termination to take place, the breaches must be of such nature that they would entitle the party receiving such representation not to carry out the merger agreement because certain closing conditions are not met; or

if there has been a material breach of any of the covenants or agreements set forth in the merger agreement on the part of any of the other parties, which breach has not been cured within 30 days after receiving notice from the terminating party, or which breach, by its nature, cannot be cured prior to the termination date. However, the terminating party itself must not be in material breach of any representation, warranty, covenant or agreement. In order for termination to take place, the breaches must be of such nature that they would entitle the party receiving the benefits of such covenants or agreements not to consummate the transactions contemplated by the merger agreement because certain closing conditions are not met.

by Inergy if (i) Holdings has materially breached any of the provisions described under The Merger Agreement Solicitation of Other Offers by Holdings beginning on page 106 or (ii) the Holdings Board makes a change in recommendation as described under The Merger Agreement Solicitation of Other Offers by Holdings Change in Recommendation by the Holdings Board.

by Holdings if, at any time after the date of the original merger agreement and prior to obtaining the Holdings unitholder approval, Holdings receives an acquisition proposal and the Holdings Board concludes in good faith that such acquisition proposal constitutes a superior proposal, the Holdings Board has made a change in recommendation with respect to the superior proposal, Holdings has not knowingly and intentionally breached any of the provisions described under The Merger Agreement Solicitation of Other Offers by Holdings, and the Holdings Board concurrently approves, and Holdings concurrently enters into, a definitive agreement with

respect to the superior proposal and has paid the termination fee.

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by Holdings if as a result of a change in U.S. federal income tax law, the Holdings Conflicts Committee determines, in its reasonable judgment, that consummation of the transactions contemplated by the merger agreement could materially increase the amount of U.S. federal income tax due from any holder of Holdings common units as a result of owning or disposing of the Inergy LP units acquired pursuant to such transactions, as compared to U.S. federal income tax due from such holder as a result of owning or disposing of any Holdings common units in the event the transactions contemplated by the merger agreement did not occur; provided that Holdings will not have the right to terminate the merger agreement pursuant to such change in U.S. federal income tax law in the event, within 30 days after the receipt of such notice, Inergy has provided to Holdings the opinion of nationally recognized tax counsel, reasonably acceptable to Holdings, to the effect that such holder of Holdings common units should not be liable for such increased tax as a result of owning or disposing of Inergy LP units.

by Inergy if as a result of a change in U.S. federal income tax law, the consummation of the transactions contemplated by the merger agreement could materially increase the amount of U.S. federal income tax due from any holder of Inergy LP units as a result of owning or disposing of Inergy LP units, as compared to U.S. federal income tax due from such holder in the event the transactions contemplated by the merger agreement did not occur; provided that Inergy shall not have the right to terminate the merger agreement pursuant to such change in U.S. federal income tax law in the event, within 30 days after the receipt of such notice, Holdings has provided to Inergy the opinion of nationally recognized tax counsel, reasonably acceptable to Inergy, to the effect that it is more likely than not that such holder of Inergy LP units should not be liable for such increased tax as a result of owning or disposing of Inergy LP units.

Termination Fee and Expenses (page 111)

Holdings will be obligated to pay a termination fee (to be held by an escrow agent) equal to $20 million in cash, reduced by certain amounts paid, upon the termination of the merger agreement in the following circumstances:

the merger agreement is terminated by Inergy because Holdings materially breaches any of the provisions described under The Merger Agreement Solicitation of Other Offers by Holdings or the Holdings Board effects a change in recommendation;

the merger agreement is terminated by Holdings to enter into a superior proposal under certain circumstances; or

after an acquisition proposal for 50% or more of the assets of, the equity interest in or businesses of Holdings has been made to the Holdings unitholders or an intention to make such an acquisition proposal has been made known, the merger agreement is terminated (i) by either Inergy or Holdings because (a) the merger was not consummated by the termination date or (b) a material breach of the support agreement has occurred or (ii) by Inergy because of a breach of Holdings representations and warranties or agreements or covenants and, in each case, within 12 months after the merger agreement is terminated, Holdings or any of its subsidiaries enters into a definitive agreement in respect of any acquisition proposal and consummates the transaction contemplated by such definitive agreement (which need not be the same acquisition proposal as the acquisition proposal first mentioned in this paragraph).

If Holdings is obligated to pay the termination fee to Inergy, the escrow agent will release to Inergy a portion of the termination fee equal to no greater than 70% of the maximum remaining amount which, in the good faith view of Inergy GP may be taken in the gross income of Inergy without exceeding the permissible qualifying income limits for a publicly traded partnership based on applicable provisions of the Internal Revenue Code. Following the year in which the initial release of the termination fee occurs, additional amounts may be released or a portion of the fee may be required to be returned so that the amount released equals between

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80% and 90% of the maximum which Inergy could actually have taken in gross income. Any amount of the termination fee not distributed to Inergy will be refunded to Holdings. In addition, Holdings has waived for itself and its affiliates, and will cause Inergy GP to waive, any rights to any distribution by Inergy of any termination fee paid to Inergy.

To the extent that Holdings has already paid Inergy its expenses in connection with the termination of the merger agreement and subsequently Holdings is obligated to pay the termination fee to the escrow agent on Inergy s behalf, Holdings is only obligated to pay the escrow agent an amount equal to the difference of the applicable termination fee and expenses previously paid.

Holdings or Inergy will be obligated to pay expenses upon the termination of the merger agreement in the following circumstances:

Holdings will be obligated to pay Inergy s expenses, not to exceed $3 million (exclusive of the termination fee), if the merger agreement is terminated by:

Inergy because of a material breach of Holdings or Holdings GP s representations and warranties or agreements or covenants; or

Inergy or Holdings because a material breach of the support agreement has occurred.

Inergy will be obligated to pay Holdings expenses, not to exceed $3 million, if the merger agreement is terminated by Holdings because of a breach of Inergy s or Inergy GP s material representations and warranties or agreements or covenants.

If the merger is consummated, Inergy will pay the property and transfer taxes imposed on either party in connection with the merger. Inergy will also pay the expenses for filing, printing and mailing this proxy statement/prospectus. Any filing fees payable pursuant to regulatory laws and other filing fees incurred in connection with the merger agreement will be paid by the party incurring the fees.

Opinions of the Holdings Conflicts Committee s Financial Advisor (page 62)

At a meeting of the Holdings Conflicts Committee held on August 7, 2010, Tudor, Pickering, Holt & Co. Securities, Inc. (TudorPickering), the financial advisor to the Holdings Conflicts Committee, delivered to the Holdings Conflicts Committee its oral opinion (which was subsequently confirmed in writing) (the August 7 opinion) that, as of August 7, 2010, and based upon and subject to the factors and assumptions set forth in the August 7 opinion, the consideration to be paid to the unaffiliated Holdings unitholders pursuant to the original merger agreement, was fair, from a financial point of view, to the unaffiliated Holdings unitholders. The summary of TudorPickering s August 7 opinion is qualified in its entirety by reference to the full text of its written opinion, which is included as Annex D to this proxy statement/prospectus and sets forth the procedures followed, assumptions made, qualifications and limitations on the review undertaken and other matters considered by TudorPickering in preparing its August 7 opinion.

At a meeting of the Holdings Conflicts Committee held on September 22, 2010, TudorPickering delivered to the Holdings Conflicts Committee its oral opinion (which was subsequently confirmed in writing) (the September 22 opinion and, together with the August 7 opinion, the opinions) that, as of September 22, 2010, and based upon and subject to the factors and assumptions set forth in the September 22 opinion, the consideration to be paid to the unaffiliated Holdings unitholders pursuant to the merger agreement, was fair, from a financial point of view, to the unaffiliated Holdings unitholders. The summary of TudorPickering s September 22 opinion in this proxy statement/prospectus is qualified in its entirety by reference to the full text of its written opinion, which is included as Annex E to this proxy statement/prospectus and sets forth the procedures followed, assumptions made, qualifications and limitations on the review undertaken and other matters considered by TudorPickering in preparing its September 22 opinion.

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TudorPickering s opinions do not address the relative merits of the merger as compared to any alternative transaction that might be available to Holdings, nor do they address the underlying business decision of Holdings to engage in the merger. TudorPickering s opinions relate solely to the fairness, from a financial point of view, to the unaffiliated Holdings unitholders of the consideration to be paid pursuant to the original merger agreement or the merger agreement to such holders. TudorPickering does not express any view on, and its opinions do not address, any other term or aspect of the original merger agreement or the merger agreement, the Holdings amended and restated partnership agreement, the Inergy amended and restated partnership agreement, the support agreement or the merger, including, without limitation, the fairness of the merger to, or any consideration received in connection therewith by, creditors or other constituencies of Holdings or Inergy; nor as to the fairness of the amount or nature of any compensation to be paid or payable to any of the officers, directors or employees of Holdings or Inergy, or any other class of such persons, in connection with the merger, whether relative to the consideration to be received by the holders of Holdings common units pursuant to the original merger agreement, the merger agreement or otherwise. TudorPickering has not been asked to consider, and its opinions do not address, the price at which Holdings common units will trade at any time. TudorPickering did not render any legal, regulatory, tax or accounting advice to the Holdings Conflicts Committee in connection with the merger.

Comparison of Inergy Unitholder Rights and Holdings Unitholder Rights (page 152)

As a result of the merger, Holdings unitholders will become holders of Inergy LP units. The PIK Recipients have agreed to take a portion of their merger consideration in the form of Class B units in lieu of Inergy LP units. The rights of holders of Inergy LP units and holders of Class B units will be governed by Inergy s amended and restated partnership agreement and applicable Delaware law. There are differences between the rights of Holdings unitholders and Inergy unitholders pursuant to the existing partnership agreement of Holdings and the amended and restated partnership agreement of Inergy. Certain of these differences are described under Comparison of Inergy Unitholder Rights and Holdings Unitholder Rights beginning on page 152.

Interests of Certain Persons in the Merger (page 145)

In considering the recommendation of the Holdings Board to approve the merger, the merger agreement and the transactions contemplated thereby, Holdings unitholders should be aware that some of the executive officers and directors of Holdings GP have interests in the merger that may differ from, or may be in addition to, the interests of Holdings unitholders generally. These interests may present such executive officers and directors with actual or potential conflicts of interest. These interests include the following:

Holdings and Inergy Units. Some of the executive officers and directors of Holdings GP currently own Holdings common units and will be receiving Inergy LP units and Class B units as a result of the merger. Holdings common units held by the directors and executive officers will be exchanged for Inergy LP units at a ratio of 0.77 Inergy LP units per Holdings common unit. This is the same ratio as that applicable to the unaffiliated Holdings unitholders. However, the PIK Recipients, which include certain members of senior management and directors of Holdings GP, have agreed to take a portion of their merger consideration in the form of Class B units in lieu of Inergy LP units. Inergy will issue an aggregate of 11,568,560 Class B units to the PIK Recipients. The Class B units will convert automatically into Inergy LP units on a one-for-one basis, with 50% of the outstanding Class B units converting into Inergy LP units following the payment date of the fourth quarterly distribution following the closing of the merger and the remaining outstanding Class B units converting into Inergy LP units following the payment date of the eighth quarterly distribution following the closing of the merger. Until Class B units are converted into Inergy LP units, distributions on Class B units will be paid in additional Class B units issued in kind no later than 45 days after the end of each quarter following consummation of the merger. For a further description of the Class B units, please read Description of Inergy Units Class B Units. In addition, certain directors and officers of Holdings GP currently own Inergy LP units.

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Holdings Equity Based Awards. Directors and certain executive officers of Holdings GP also hold Holdings Unit Options and Holding Restricted Units (each as defined under the heading The Merger Agreement Treatment of Holdings Equity Based Awards). These Holdings equity awards will continue to vest in accordance with the vesting schedule of the original award. However, upon eventual exercise or vesting, as applicable, the awards will be settled through the delivery of a number of Inergy LP units adjusted to reflect the 0.77 exchange ratio. In addition, the exercise price of Holdings Unit Options will be increased to reflect the 0.77 exchange ratio.

Indemnification and Insurance. The merger agreement provides for indemnification by Inergy of each person who was, as of the date of the original merger agreement, or is at any time from the date of the original merger agreement through the effective date, an officer or director of Holdings or any of its subsidiaries or acting as a fiduciary under or with respect to any employee benefit plan of Holdings and for the maintenance of directors and officers liability insurance covering directors and executive officers of Holdings GP for a period of six years following consummation of the merger. Inergy also agreed that all rights to indemnification now existing in favor of indemnified parties as provided in the Holdings partnership agreement (or, as applicable, the charter, bylaws, partnership agreement, limited liability company agreement, or other organizational documents of any of Holdings subsidiaries) will be assumed by Inergy and Inergy GP in the merger, without further action, at the effective time of the merger and will survive the merger and will continue in full force and effect in accordance with their terms.

Director and Executive Officer Interlock. Certain of Holdings GP s directors and all of Holdings GP s executive officers are currently directors and executive officers of Inergy GP, respectively, and will remain directors and executive officers of Inergy GP following consummation of the merger. The five current members of the Inergy Board are expected to continue as directors of the Inergy Board.

Support Agreement. In addition, the Holdings Supporting Unitholders include certain of the executive officers and directors of Holdings GP. The Holdings Supporting Unitholders beneficially own approximately 57.9% of the total Holdings common units and have entered into a support agreement to vote in favor of the merger, the merger agreement and the transactions contemplated thereby. For more information on the support agreement, please read Interests of Certain Persons in the Merger Support Agreement.

The directors and executive officers of Holdings GP beneficially owned an aggregate of 33.6 million Holdings common units as of October 1, 2010, representing approximately 54.1% of the total voting power of Holdings voting securities.

Senior management of Inergy GP and Holdings GP (senior management) prepared projections with respect to Inergy s future financial and operating performance on a stand-alone basis and on a combined basis. These projections were provided to TudorPickering for use in connection with the preparation of its opinions to the Holdings Conflicts Committee and related financial advisory services. The projections were also provided to the Inergy Board, the Holdings Board, the committees and their financial advisors.

Accounting Treatment of the Merger (page 94)

The merger between Holdings and Inergy will result in Holdings being treated as the surviving consolidated entity of the merger for accounting purposes, even though Inergy will be the surviving consolidated entity for legal and reporting purposes. The changes in ownership interest will be accounted for in accordance with Accounting Standards Codification 810 Consolidation as an equity transaction and no gain or loss will be recognized as a result of the merger.

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Material U.S. Federal Income Tax Consequences of the Transactions (page 124)

Tax matters associated with the Transactions are complicated. The tax consequences to a Holdings unitholder of the Transactions and related matters will depend on such unitholder s own personal tax situation. Holdings unitholders are urged to consult their tax advisors for a full understanding of the federal, state, local and non-U.S. tax consequences of the Transactions that will be applicable to them.

Holdings expects to receive an opinion from Andrews Kurth LLP (Andrews Kurth), counsel to the Holdings Conflicts Committee, to the effect that, subject to the limitations set forth in Material U.S. Federal Income Tax Consequences of the Transactions, no gain or loss should be recognized by the holders of Holdings common units to the extent Inergy LP units or Class B units, as applicable, are received in exchange therefor, other than gain resulting from either (i) any decrease in partnership liabilities pursuant to Section 752 of the Internal Revenue Code, (ii) any actual or constructive distributions of cash or other property, or (iii) amounts paid by one person to or on behalf of another person pursuant to the merger agreement. Opinions of counsel, however, are not binding on the U.S. Internal Revenue Service, or IRS, and no assurance can be given that the IRS would not successfully assert a contrary position regarding the U.S. federal income tax consequences of the Transactions and this opinion of counsel.

Please read Risk Factors Tax Risks Related to the Transactions beginning on page 33, and Material U.S. Federal Income Tax Consequences of the Transactions beginning on page 124 for a more complete discussion of the U.S. federal income tax consequences of the Transactions.

Litigation

Since Inergy and Holdings first announced on August 9, 2010 their entry into the original merger agreement, five unitholder class action lawsuits have been filed by Holdings unitholders against Inergy, Holdings, Holdings GP, MergerCo, New NRGP LP, Inergy GP, Inergy Partners, John J. Sherman, Phillip L. Elbert, R. Brooks Sherman, Jr., Warren H. Gfeller, Arthur B. Krause and Richard T. O Brien (the Holdings Unitholder Lawsuits). Additionally, one unitholder class action lawsuit has been filed by Inergy unitholders against Inergy, Holdings, Inergy GP, John J. Sherman, Phillip L. Elbert, Warren H. Gfeller, Arthur B. Krause, Robert D. Taylor, R. Brooks Sherman, Jr., Andrew L. Atterbury, William C. Gautreaux, and Carl A. Hughes (the Inergy Unitholder Lawsuit).

The Holdings Unitholder Lawsuits are as follows: (i) *Daniel Himmel v. John J. Sherman et al.*, No. 1016-CV24783, In the Circuit Court of Jackson County, Missouri, at Kansas City; (ii) *John Oliver v. Inergy Holdings, L.P. et al.*, No. 1016-CV25524, In the Circuit Court of Jackson County, Missouri, at Kansas City; (iii) *Peter D Orazio v. John J. Sherman et al.*, No. 1016-CV25705, In the Circuit Court of Jackson County, Missouri, at Kansas City; (iv) *Harvey Silver v. John Sherman et al*., No. 1016-CV26112, In the Circuit Court of Jackson County, Missouri, at Kansas City; and (v) *David Lessard v. Inergy Holdings, L.P. et al*., No. 1016-CV27141, In the Circuit Court of Jackson County, Missouri, at Kansas City. The Inergy Unitholder Lawsuit is *G-2 Trading LLC v. Inergy GP, LLC et al.*, No. 5816, In the Court of Chancery of the State of Delaware.

The Holdings Unitholder Lawsuits allege a variety of causes of action challenging the proposed merger, including that the named directors and officers have breached their fiduciary duties in connection with the proposed merger and that the named entities have aided and abetted in these breaches of the directors and officers fiduciary duties. Specifically, the Holdings Unitholder Lawsuits allege, among other things, that (i) the consideration offered by Inergy is unfair and inadequate, (ii) the merger is structured to preclude other potential purchasers of Holdings from proposing a competing transaction, (iii) the named directors and officers have engaged in self-dealing and, through the merger, will obtain benefits not equally shared by the public unitholders of Holdings, and (iv) the Registration Statement on Form S-4 filed by Inergy on September 3, 2010 fails to disclose material information regarding the proposed merger.

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With respect to the allegations that the proposed consideration is unfair and inadequate, the Holdings Unitholder Lawsuits allege that the premium offered by Inergy is only 4.8% greater than the closing price of Holdings common units on the trading day prior to the merger announcement. The Holdings Unitholder Lawsuits further allege that the premium fails to adequately compensate unitholders for the likely future performance and value of Holdings, especially given the alleged potential growth in incentive distributions that Inergy may owe to Holdings.

With respect to the allegations that the merger is structured to preclude competing alternative transactions, the Holdings Unitholder Lawsuits allege that the merger agreement requires Holdings to pay Inergy a $20 million termination fee if the merger is terminated under certain circumstances. The Holdings Unitholder Lawsuits also allege that minority unitholders lack the ability to reject the proposed merger because certain individual defendants, who collectively beneficially own a sufficient percentage of the outstanding Holdings common units to approve the merger without other unitholder approval, have agreed to vote in favor of the proposed merger. One of the Holdings Unitholder Lawsuits also alleges that the merger agreement provides only sixty days for solicitation of superior alternative transactions and provides an unfair mechanism for Inergy to outbid any competing transactions. Another of the Holdings Unitholder Lawsuits alleges that Holdings must notify Inergy of any competing offer and provide Inergy with an opportunity to match the competing offer.

With respect to the allegations that the named directors and officers have engaged in self-dealing and will obtain special benefits through the merger, the Holdings Unitholder Lawsuits allege that Richard T. O Brien, the only member of the Holdings Board that is not also a member of the Inergy Board, has been promised membership on the Inergy Board. At least one of the Holdings Unitholder Lawsuits also alleges that certain members of senior management have agreed to accept payment-in-kind securities that are allegedly superior to the Inergy LP units that other unitholders will receive for their Holdings common units.

With respect to the allegations that Inergy s Registration Statement on Form S-4 initially filed on September 3, 2010 fails to disclose material information regarding the proposed merger, two of the Holdings Unitholder Lawsuits allege that the registration statement fails to disclose various criteria, assumptions and factors used to estimate certain future financial results. These two lawsuits also allege that the registration statement fails to disclose various data, methodologies and assumptions relied on by Inergy s and Holdings respective financial advisors in making their recommendations. Additionally, one of these two lawsuits alleges that the registration statement fails to disclose certain events and actions surrounding the proposed merger, such as whether the Holdings Conflicts Committee evaluated any alternatives to the proposed merger.

Based on these allegations, the plaintiffs seek to enjoin the defendants from proceeding with or consummating the proposed merger until a procedure is adopted and implemented that will result in maximization of value for Holdings unitholders. Certain of the plaintiffs have filed motions to consolidate these actions for the appointment of a lead plaintiff and lead counsel and for expedited treatment of their claims. Currently, a hearing is scheduled for October 7, 2010 on one of the motions to consolidate and the motions for the appointment of lead plaintiff and lead counsel. To the extent that the merger is implemented before relief is granted, the plaintiffs seek to have the merger rescinded. The plaintiffs also seek damages and attorneys fees.

The Inergy Unitholder Lawsuit also alleges several causes of action challenging the proposed merger, including that the named directors and officers have breached Inergy s limited partnership agreement and their fiduciary duties in connection with the proposed merger. Specifically, the Inergy Unitholder Lawsuit alleges that Inergy is paying an excessive price to Holdings unitholders, thereby diluting the value of Inergy to its current unitholders. The consideration provided to Holdings unitholders, the Inergy Unitholder Lawsuit alleges, represents a 20.7% premium to Holdings unitholders and exceeds Holdings aggregate enterprise value by 27%. The Inergy Unitholder Lawsuit alleges that the proposed merger will reduce Inergy s public unitholders ownership in Inergy from 92% to 57% without providing an adequate return to Inergy unitholders so that the named directors and officers can avoid potential tax ramifications related to their Holdings common units.

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Additionally, the Inergy Unitholder Lawsuit alleges several deficiencies in the process by which the named directors and officers are conducting the proposed transaction. First, the Inergy Unitholder Lawsuit alleges that the Holdings Conflicts Committee did not have the requisite number of members and will receive a legal opinion related to both Inergy and Holdings from a single, conflicted law firm. Second, the Inergy Unitholder Lawsuit alleges that Inergy is seeking to amend the Inergy partnership agreement without the approval of public unitholders. Third, the Inergy Unitholder Lawsuit alleges that Inergy has failed, as allegedly required by the partnership agreement, to determine whether the proposed merger adversely affects Inergy s limited partners. Fourth, the Inergy Unitholder Lawsuit alleges that the named directors and officers have agreed to vote in favor of the proposed merger, thereby eliminating the ability of Holdings unitholders to reject the proposed merger.

Based on these allegations, the Inergy Unitholder Lawsuit seeks to enjoin the defendants from proceeding with or consummating the proposed merger. To that end, the plaintiff in the Inergy Unitholder lawsuit has filed a motion for a temporary injunction and a motion for expedited treatment. A hearing on the motion for expedited treatment is scheduled for September 29, 2010. To the extent that the merger is implemented before relief is granted, the Inergy Unitholder Lawsuit seeks to have the merger rescinded. The Inergy Unitholder Lawsuit also seeks a declaration that the proposed merger and the amendment of Inergy s partnership agreement without unitholder approval is a breach of the partnership agreement. Finally, the Inergy Unitholder Lawsuit seeks damages and attorneys fees.

Defendants have not yet answered these lawsuits. Holdings and Inergy cannot predict the outcome of these lawsuits, or any others that might be filed subsequent to the date of the filing of this proxy statement/prospectus, nor can Holdings and Inergy predict the amount of time and expense that will be required to resolve the lawsuits. Holdings and Inergy intend to vigorously defend the actions.

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Ownership Structure

The following diagrams depict Inergy s and Holdings ownership structure before and after giving effect to the merger and based on Inergy s ownership as of October 1, 2010.

(1) Includes 508,033 Holdings common units held by management and directors (other than Holdings Supporting Unitholders).

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(1) Includes Inergy LP units held by management and directors. Please read Interests of Certain Persons in the Merger.

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Selected Historical and Unaudited Pro Forma Consolidated Financial Data of Holdings

Holdings will be treated as the surviving consolidated entity of the merger for accounting purposes. The following table sets forth selected historical and unaudited pro forma consolidated financial data of Holdings. The selected historical consolidated financial data of Holdings as of and for the fiscal years ended September 30, 2005, 2006, 2007, 2008 and 2009 are derived from Holdings audited consolidated financial statements and related notes. The selected historical consolidated financial data of Holdings as of and for the nine months ended June 30, 2009 and 2010 are derived from Holdings unaudited consolidated financial statements and related notes.

The data in the following table should be read together with, and is qualified in its entirety by reference to, the historical consolidated financial statements and the accompanying notes and should also be read together with Management s Discussion and Analysis of Financial Condition and Results of Operations, which is included in Holdings Current Report on Form 8-K filed on September 3, 2010, which retrospectively revised portions of Holdings Annual Report on Form 10-K for the fiscal year ended September 30, 2009, and Holdings Quarterly Report on Form 10-Q for the three months ended June 30, 2010, each of which is incorporated by reference in this proxy statement/prospectus.

The unaudited pro forma financial information of Holdings presented below consists of the Unaudited Pro Forma Condensed Consolidated Balance Sheet as of June 30, 2010 and the Unaudited Pro Forma Condensed Consolidated Income Statement for the year ended September 30, 2009 and the nine months ended June 30, 2010. The unaudited pro forma financial information of Holdings presented below under the heading Pro Forma has been prepared giving effect to the merger agreement as if this transaction had occurred as of October 1, 2008 and October 1, 2009 for the Unaudited Pro Forma Condensed Consolidated Income Statements for the year ended September 30, 2009 and the nine months ended June 30, 2010, respectively, and as of June 30, 2010 for the Unaudited Pro Forma Condensed Consolidated Balance Sheet. The unaudited pro forma financial information of Holdings presented below under the heading As Further Adjusted also gives further effect to the following: (i) the closing of the acquisition of 100% of the equity interests in Tres Palacios Gas Storage LLC and related agreements for approximately $725 million, (ii) Inergy s September 2010 offering of 11,787,500 Inergy LP units and (iii) Inergy s September 2010 offering of $600 million aggregate principal amount of 7% Senior Notes due 2018. Please read Recent Developments. The unaudited pro forma financial information of Holdings presented below under the heading As Further Adjusted has been prepared giving effect to the merger, the acquisition of Tres Palacios Gas Storage LLC and Inergy s September 2010 equity and debt offerings as if those transactions had occurred as of October 1, 2008 and October 1, 2009 for the Unaudited Pro Forma Condensed Consolidated Income Statements for the year ended September 30, 2009 and the nine months ended June 30, 2010, respectively, and on June 30, 2010 for the Unaudited Pro Forma Condensed Consolidated Balance Sheet.

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	Holdings Consolidated Historical							Pro Forma		As Further Adjusted	
	Year Ended September 30,					Nine Months Ended June 30,		Year Ended September 30,	Nine Months Ended June 30,	Year Ended September 30,	Nine Months Ended June 30,
	2005	2006	2007	2008	2009	2009	2010	2009	2010	2009	2010
	($ in millions)										
Statement of operations data:											
Revenues	$ 1,051.9	$ 1,390.2	$ 1,483.1	$ 1,878.9	$ 1,570.6	$ 1,339.1	$ 1,484.4	$ 1,570.6	$ 1,484.4	$ 1,611.5	$ 1,524.4
Cost of product sold (excluding depreciation and amortization as shown below)	726.2	993.3	1,026.1	1,376.7	996.9	855.4	965.0	996.9	965.0	996.9	965.0
Gross profit	325.7	396.9	457.0	502.2	573.7	483.7	519.4	573.7	519.4	614.6	559.4
Expenses:											
Operating and administrative	195.6	246.6	248.6	266.6	280.5	213.3	231.2	280.5	231.2	291.2	243.5
Depreciation and amortization	50.4	76.8	83.4	98.0	115.8	79.3	117.7	115.8	117.7	144.7	139.4
Loss on disposal of assets	0.7	11.5	8.0	11.5	5.2	4.1	5.8	5.2	5.8	7.4	5.9
Operating income	79.0	62.0	117.0	126.1	172.2	187.0	164.7	172.2	164.7	171.3	170.6
Other income (expense):											
Interest expense, net	(36.1)	(55.8)	(54.4)	(62.6)	(70.5)	(52.8)	(67.4)	(70.5)	(67.4)	(114.5)	(100.4)
Interest expense related to write-off of deferred financing costs(a)	(7.6)										
Other income	0.3	0.8	1.9	1.0	0.1		0.9	0.1	0.9	0.1	0.9
Income before gain on issuance of units in Inergy, L.P. and income taxes	35.6	7.0	64.5	64.5	101.8	134.2	98.2	101.8	98.2	56.9	71.1
Gain on issuance of units in Inergy, L.P.			80.6		8.0	3.4		8.0		8.0	
Provision for income taxes	(0.5)	(0.6)	(6.5)	(1.4)	(1.7)	(1.3)	(0.3)	(1.7)	(0.3)	(1.7)	(0.3)
Net income	35.1	6.4	138.6	63.1	108.1	136.3	97.9	108.1	97.9	63.2	70.8
Net income attributable to non-controlling partners in Inergy, L.P. s net income (loss)	26.8	(8.0)	36.0	26.2	49.6	90.7	47.0				
Net income attributable to non-controlling partners in Arlington Storage Company, LLC s (ASC) consolidated net income				1.4	1.4	1.0	0.7	1.4	0.7	1.4	0.7
Net income attributable to partners	$ 8.3	$ 14.4	$ 102.6	$ 35.5	$ 57.1	$ 44.6	$ 50.2	$ 106.7	$ 97.2	$ 61.8	$ 70.1

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	Holdings Consolidated Historical							Pro Forma		As Further Adjusted	
	Year Ended September 30,					Nine Months Ended June 30,		Year Ended September 30, 2009	Nine Months Ended June 30, 2010	Year Ended September 30, 2009	Nine Months Ended June 30, 2010
	2005	2006	2007	2008	2009	2009	2010				
	($ in millions)										
Balance sheet data (end of period):											
Total assets(b)	$ 1,493.7	$ 1,614.7	$ 1,741.9	$ 2,098.5	$ 2,154.1	$ 2,116.0	$ 2,365.7	n/a	$ 2,365.7	n/a	$ 3,368.2
Total debt, including current portion	587.8	690.0	742.2	1,139.2	1,124.8	1,142.6	1,302.6	n/a	1,312.6	n/a	1,912.6
Inergy Holdings, L.P. partners capital	(6.7)	(18.7)	50.9	36.9	40.5	42.6	45.1	n/a	859.4	n/a	1,254.9
Other financial data:											
Net cash provided by operating activities	$ 84.1	$ 99.9	$ 163.5	$ 180.2	$ 237.2	$ 207.8	$ 140.4				
Net cash used in investing activities	(840.7)	(210.9)	(187.8)	(386.7)	(230.6)	(161.1)	(319.3)				
Net cash provided by (used in) financing activities	763.8	113.5	20.1	216.0	(12.3)	(51.0)	172.8				

(a) Reflects amounts recognized as expense in the year ended September 30, 2005, incurred in connection with the retirement of Inergy s 364-day credit facility used to fund a portion of the Star Gas Propane acquisition, and deferred financing costs written off with the retirement of Inergy s previous credit facility.

(b) These amounts differ from those previously presented as a result of Holdings adoption of FASB Accounting Standards Codification Subtopic 210-20 on October 1, 2008. In conjunction with the adoption of this standard, Holdings elected to change its accounting policy for derivative instruments executed with the same counterparty under a master netting agreement. This change in accounting policy has been presented retroactively.

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Selected Historical Consolidated Financial and Operating Data of Inergy

The following table sets forth selected historical consolidated financial data and operating data of Inergy. The selected historical consolidated financial data of Inergy as of and for the fiscal years ended September 30, 2005, 2006, 2007, 2008 and 2009 are derived from Inergy s audited consolidated financial statements and related notes. The selected historical consolidated financial data of Inergy as of and for the nine months ended June 30, 2009 and 2010 are derived from Inergy s unaudited consolidated financial statements and related notes.

The data in the following table should be read together with, and is qualified in its entirety by reference to, the historical consolidated financial statements and the accompanying notes and should also be read together with Management s Discussion and Analysis of Financial Condition and Results of Operations, which is included in Inergy s Annual Report on Form 10-K for fiscal 2009 and Inergy s Quarterly Report on Form 10-Q for the three months ended June 30, 2010, each of which is incorporated by reference in this proxy statement/prospectus.

	Year Ended September 30,					Nine Months Ended June 30,	
	2005	2006	2007	2008	2009	2009	2010
	($ in millions)						
Statement of operations data:							
Revenues	$ 1,051.9	$ 1,390.2	$ 1,483.1	$ 1,878.9	$ 1,570.6	$ 1,339.1	$ 1,484.4
Cost of product sold (excluding depreciation and amortization as shown below)	726.2	993.3	1,026.1	1,376.7	996.9	855.4	965.0
Gross profit	325.7	396.9	457.0	502.2	573.7	483.7	519.4
Expenses:							
Operating and administrative	195.1	245.2	247.8	265.6	279.6	212.6	230.2
Depreciation and amortization	50.3	76.7	83.4	98.0	115.8	79.3	117.7
Loss on disposal of assets	0.7	11.5	8.0	11.5	5.2	4.1	5.8
Operating income	79.6	63.5	117.8	127.1	173.1	187.7	165.7
Other income (expense):							
Interest expense, net	(34.2)	(53.8)	(52.0)	(60.9)	(69.7)	(52.1)	(66.9)
Write-off of deferred financing costs	(7.0)						
Other income	0.3	0.8	1.9	1.0	0.1		0.9
Income before income taxes	38.7	10.5	67.7	67.2	103.5	135.6	99.7
Provision for income taxes	(0.1)	(0.7)	(0.7)	(0.7)	(0.7)	(0.4)	
Net income	38.6	9.8	67.0	66.5	102.8	135.2	99.7
Net income attributable to non-controlling partners in ASC s consolidated net income				1.4	1.4	1.0	0.7
Net income attributable to partners	$ 38.6	$ 9.8	$ 67.0	$ 65.1	$ 101.4	$ 134.2	$ 99.0

	Year Ended September 30,					Nine Months Ended June 30,	
	2005	2006	2007	2008	2009	2009	2010
	($ in millions)						
Balance sheet data (end of period):							
Total assets(a)	$ 1,485.6	$ 1,606.9	$ 1,722.9	$ 2,077.3	$ 2,133.1	$ 2,095.2	$ 2,345.2
Total debt, including current portion	559.7	659.7	710.2	1,106.6	1,093.3	1,110.6	1,274.7
Inergy, L.P. partners capital	663.9	676.1	741.2	637.8	799.4	767.2	896.9
Other financial data:							
EBITDA(b) (unaudited)	$ 130.2	$ 141.0	$ 203.1	$ 223.9	$ 287.1	$ 265.6	$ 283.4

Adjusted EBITDA(b) (unaudited)	111.5	175.4	211.2	239.0	296.8	273.4	295.5
Net cash provided by operating activities	87.6	104.4	167.9	183.8	239.4	209.2	141.6
Net cash used in investing activities	(840.6)	(210.9)	(187.8)	(386.7)	(230.6)	(161.1)	(319.3)
Net cash provided by (used in) financing activities	760.1	109.0	15.6	212.5	(14.5)	(52.4)	171.5
Maintenance capital expenditures(c) (unaudited)	3.6	3.7	5.1	5.4	8.0	5.1	7.1
Ratio of earnings to fixed charges(d)	1.88x	1.18x	2.22x	2.02x	2.39x	3.45x	2.40x
Other operating data (unaudited):							
Retail propane gallons sold	318.4	360.3	362.2	331.9	310.0	271.0	294.7
Wholesale propane gallons delivered	391.3	365.3	383.9	358.5	380.6	310.6	341.3

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(a) These amounts differ from those previously presented as a result of Inergy s adoption of FASB Accounting Standards Codification Subtopic 210-20 on October 1, 2008. In conjunction with the adoption of this standard, Inergy elected to change its accounting policy for derivative instruments executed with the same counterparty under a master netting agreement. This change in accounting policy has been presented retroactively.

(b) EBITDA is defined as income (loss) before taxes, plus net interest expense and depreciation and amortization expense. As indicated in the table, Adjusted EBITDA represents EBITDA excluding the gain or loss on derivative contracts associated with retail propane fixed price sales contracts, the gain or loss on the disposal of assets, long-term incentive and equity compensation expenses and transaction costs. Transaction costs are third party professional fees and other costs that are incurred in conjunction with closing a transaction. EBITDA and Adjusted EBITDA should not be considered an alternative to net income, income before income taxes, cash flows from operating activities, or any other measure of financial performance calculated in accordance with generally accepted accounting principles as those items are used to measure operating performance, liquidity or the ability to service debt obligations. Inergy GP s management believes that EBITDA provides additional information for evaluating Inergy s ability to make the minimum quarterly distribution and is presented solely as a supplemental measure. Inergy GP s management believes that Adjusted EBITDA provides additional information for evaluating Inergy s financial performance without regard to its financing methods, capital structure and historical cost basis. EBITDA and Adjusted EBITDA, as Inergy defines them, may not be comparable to EBITDA and Adjusted EBITDA or similarly titled measures used by other corporations or partnerships.

The following table reconciles EBITDA and Adjusted EBITDA to net income:

	Year Ended September 30,					Nine Months Ended June 30,	
	2005	2006	2007	2008	2009	2009	2010
	($ in millions)						
Reconciliation of net income to EBITDA and Adjusted EBITDA:							
Net income attributable to partners	$ 38.6	$ 9.8	$ 67.0	$ 65.1	$ 101.4	$ 134.2	$ 99.0
Interest of non-controlling partners in ASC s taxes, interest expense and depreciation and amortization expense				(0.8)	(0.5)	(0.4)	(0.2)
Provision for income taxes	0.1	0.7	0.7	0.7	0.7	0.4	
Interest expense, net	34.2	53.8	52.0	60.9	69.7	52.1	66.9
Write-off of deferred financing costs	7.0						
Depreciation and amortization	50.3	76.7	83.4	98.0	115.8	79.3	117.7
EBITDA	$ 130.2	$ 141.0	$ 203.1	$ 223.9	$ 287.1	$ 265.6	$ 283.4
Non-cash (gain) loss on derivative contracts	(19.4)	20.0	(0.6)	0.1	1.4	1.5	(0.7)
Loss on disposal assets	0.7	11.5	8.0	11.5	5.2	4.1	5.8
Long-term incentive and equity compensation expense		2.9	0.7	3.5	3.1	2.2	4.9
Transaction costs							2.1
Adjusted EBITDA	$ 111.5	$ 175.4	$ 211.2	$ 239.0	$ 296.8	$ 273.4	$ 295.5

(c) Maintenance capital expenditures are defined as those capital expenditures which do not increase operating capacity or revenues from existing levels.

(d) For purposes of determining the ratio of earnings to fixed charges, earnings are defined as earnings from continuing operations before income taxes, plus fixed charges. Fixed charges consist of net interest expense (inclusive of write-off of deferred financing costs) on all indebtedness and the amortization of deferred financing costs and interest associated with operating leases.

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COMPARATIVE PER UNIT INFORMATION

The following table sets forth certain historical per unit information of Inergy and Holdings and the unaudited pro forma combined per unit information after giving pro forma effect to the merger, and Inergy s issuance of Inergy LP units, Class A units and Class B units pursuant to the merger agreement.

You should read this information in conjunction with the summary historical financial information of Holdings and the selected historical financial information of Inergy included elsewhere in this proxy statement/prospectus and the historical consolidated financial statements of Holdings and Inergy and related notes that are incorporated by reference in this proxy statement/prospectus and in conjunction with the Unaudited Pro Forma Condensed Consolidated Financial Statements and related notes included elsewhere in this proxy statement/prospectus. The unaudited pro forma combined per unit information does not purport to represent what the actual results of operations would have been had the partnerships been combined or to project the results of operations that may be achieved after the merger is completed.

	Historical				Pro Forma		As Further Adjusted	
	Year Ended September 30, 2009		Nine Months Ended June 30, 2010		Year Ended September 30, 2009	Nine Months Ended June 30, 2010	Year Ended September 30, 2009	Nine Months Ended June 30, 2010
Per Unit Data:	**Inergy**	**Holdings**	**Inergy**	**Holdings**	**Inergy(e)**	**Inergy(e)**	**Inergy(g)**	**Inergy(g)**
Net Income:								
Basic(a)	$ 0.93(f)	$ 0.94	$ 0.75	$ 0.82	$ 1.25	$ 1.03	$ 0.64	$ 0.66
Diluted(b)	$ 0.93(f)	$ 0.93	$ 0.75	$ 0.81	$ 1.10	$ 0.91	$ 0.57	$ 0.59
Cash Distributions:								
Declared Per Unit(c)	$ 2.640	$ 1.018	$ 2.085	$ 0.978	$ 2.298	$ 1.982	$ 2.017	$ 1.761
Paid Per Unit(c)	$ 2.600	$ 0.952	$ 2.055	$ 0.921	$ 2.159	$ 1.879	$ 1.895	$ 1.669
Book Value(d)	$ 13.37	$ 0.67	$ 13.61	$ 0.73	$	$ 8.80	$	$ 11.47

(a) For Inergy and Holdings, the amounts are based on the weighted-average number of units outstanding for the period. The pro forma amounts are based on information provided in Unaudited Pro Forma Condensed Consolidated Financial Statements included elsewhere in this proxy statement/prospectus.

(b) For Inergy and Holdings, the amount is based on the weighted-average number of units outstanding plus the potential dilution that would occur associated with certain awards granted under equity compensation plans. The pro forma combined amount is based on information provided in Unaudited Pro Forma Condensed Consolidated Financial Statements included elsewhere in this proxy statement/prospectus.

(c) The pro forma cash distribution declared/paid amounts are based on the weighted-average cash distributions declared/paid for Inergy and Holdings for each quarterly period and give effect to the additional Inergy LP units outstanding as a result of the merger. Cash distributions declared/paid reflect the distribution decisions made by Inergy GP and Holdings GP at their respective quarterly board meetings. As such, these pro forma calculations are not necessarily indicative of the distribution decisions that Inergy GP would have made had the merger been completed at October 1, 2008 for the fiscal year ended September 30, 2009 or October 1, 2009 for the nine months ended June 30, 2010.

(d) For Inergy and Holdings, these amounts are computed by dividing partners capital for each entity by their respective units outstanding as of September 30, 2009 and as of June 30, 2010, as applicable. The pro forma combined amounts are computed by dividing the pro forma partners capital as of June 30, 2010 by the number of units outstanding at June 30, 2010, adjusted to include the estimated number of Inergy LP units to be outstanding as a result of the merger.

(e) Represents the pro forma combined results of the merger. For comparison to historical Inergy per unit data, no further adjustments are necessary to these amounts.

(f) These amounts differ from those previously presented as a result of our adoption of FASB Accounting Standards Codification Subtopic 260-10 (260-10), which provides that for master limited partnerships (MLPs), current period earnings be reduced by the amount of available cash that will be distributed with respect to that period for purposes of calculating earnings per unit. The adoption of this standard has been presented retroactively.

(g) Represents pro forma combined results of the merger, the acquisition of Tres Palacios Gas Storage LLC and Inergy s September 2010 equity and debt offerings.

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MARKET PRICES AND DISTRIBUTION INFORMATION

Inergy LP units are traded on the NYSE under the symbol NRGY. The last reported sale price of Inergy LP units on the NYSE on August 6, 2010, the last trading day before the public announcement of the proposed merger, was $43.37. Holdings common units are traded on the NYSE under the symbol NRGP. The last reported sale price of Holdings common units on the NYSE on August 6, 2010, the last trading day before the public announcement of the proposed merger, was $31.85. The following table sets forth, for the periods indicated, the range of high and low sales prices per unit for Inergy LP units and Holdings common units, as well as information concerning quarterly cash distributions for Inergy LP units and Holdings common units. The sales prices are as reported in published financial sources.

	Inergy LP units			Holdings Common Units(3)		
	High	Low	Distributions(1)	High	Low	Distributions(1)
Fiscal 2008:						
First Quarter	$ 35.10	$ 29.69	$ 0.605	$ 16.67	$ 13.66	$ 0.187
Second Quarter	31.94	25.39	0.615	15.66	11.42	0.195
Third Quarter	29.49	25.62	0.625	13.81	11.90	0.203
Fourth Quarter	26.90	20.00	0.635	12.45	8.35	0.217
Fiscal 2009:						
First Quarter	$ 22.70	$ 12.38	$ 0.645	$ 10.23	$ 4.78	$ 0.225
Second Quarter	25.23	17.06	0.655	10.44	7.14	0.250
Third Quarter	26.34	21.54	0.665	13.87	9.83	0.260
Fourth Quarter	30.99	25.01	0.675	15.76	12.76	0.283
Fiscal 2010:						
First Quarter	$ 36.24	$ 28.70	$ 0.685	$ 19.69	$ 15.19	$ 0.313
Second Quarter	38.04	32.48	0.695	25.91	19.59	0.325
Third Quarter	39.94	30.35	0.705	26.86	21.28	0.340
Fourth Quarter	43.95	35.56	(2)	33.06	25.33	(2)

(1) Represents cash distributions per Inergy LP unit or Holdings common unit declared with respect to the quarter and paid in the following quarter.

(2) Management of Inergy and Holdings intends to make the following recommendations to the Inergy Board and Holdings Board, respectively: (i) the regular quarterly cash distribution with respect to the fourth quarter ended September 30, 2010, for Inergy be declared in the amount of $0.705 per Inergy LP unit ($2.82 annualized), (ii) the regular quarterly cash distribution with respect to the fourth quarter ended September 30, 2010, for Holdings be declared in the amount of $0.34 per Holdings common unit ($1.36 annualized), and (iii) both distributions be paid on October 29, 2010 to the respective unitholders of record on October 22, 2010.

(3) On June 2, 2010, Holdings completed a three-for-one split of its Holdings common units effective June 1, 2010.

As of October 1, 2010, Inergy had 77,740,764 outstanding Inergy LP units held of record by 192 holders. Inergy s partnership agreement requires Inergy to distribute all of its available cash, as defined in Inergy s partnership agreement, within 45 days after the end of each quarter.

As of October 1, 2010, Holdings had 62,171,774 outstanding Holdings common units held of record by 45 holders. Holdings partnership agreement requires Holdings to distribute all of its available cash, as defined in Holdings partnership agreement, within 50 days after the end of each quarter.

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RECENT DEVELOPMENTS

Tres Palacios Acquisition

On September 3, 2010, Inergy Midstream, LLC (Inergy Midstream), a wholly owned subsidiary of Inergy, entered into a purchase and sale agreement with TP Gas Holding LLC, pursuant to which Inergy Midstream will acquire all of the equity interests in Tres Palacios Gas Storage LLC (Tres Palacios) for approximately $725 million in cash, plus reimbursement of certain capital expenditures and subject to customary net working capital adjustments (the purchase and sale agreement). Tres Palacios is the owner and operator of a salt dome gas storage facility located in Matagorda County, Texas, and related pipeline assets. Completion of the transaction, which Inergy anticipates will occur around the middle of October 2010, is subject to approval under the Hart-Scott-Rodino Antitrust Improvements Act and other customary closing conditions. There can be no assurance that all of the conditions to closing in the purchase and sale agreement will be met.

Inergy LP Unit Offering

On September 8, 2010, Inergy sold 11,787,500 Inergy LP units at $35.60 per unit to the public, including the full exercise of the underwriters over-allotment option. Inergy intends to use the net proceeds of approximately $402.8 million from the Inergy LP unit offering (including the net proceeds from the full exercise of the underwriters option to purchase additional Inergy LP units) to repay outstanding indebtedness under its revolving general partnership and working capital credit facilities and to fund a portion of the purchase price of its pending Tres Palacios acquisition and the previously announced acquisition of the Seneca Lake natural gas storage facility located in Schuyler County, New York and two related pipelines from New York State Electric & Gas Corporation.

Senior Notes Offering

On September 13, 2010, Inergy and Inergy Finance Corp. (Inergy Finance and together with Inergy, the Issuers) and certain subsidiary guarantors sold $600 million aggregate principal amount of the Issuers 7% Senior Notes due 2018 (the 2018 notes) in accordance with a private placement conducted pursuant to Rule 144A and Regulation S under the Securities Act. Inergy intends to use the net proceeds from the sale of the 2018 notes to fund a portion of the purchase price of its pending Tres Palacios acquisition. Pending such use, the net proceeds of the 2018 notes will be placed in an escrow account. If the Tres Palacios acquisition is not closed by December 31, 2010 or the purchase and sale agreement is terminated earlier, the 2018 notes will be redeemed at 100% of the principal amount.

Credit Agreement Amendment

On September 10, 2010, Inergy obtained the required lender approval under its credit agreement dated November 24, 2009 (the credit agreement) to amend the credit agreement (the credit agreement amendment). The credit agreement amendment, with an effective date of September 3, 2010, modifies certain terms and covenants to allow for the permanent financing plan associated with the Tres Palacios acquisition.

Management Distribution Recommendation

Management of Inergy and Holdings intends to make the following recommendations to the Inergy Board and Holdings Board, respectively: (i) the regular quarterly cash distribution with respect to the fourth quarter ended September 30, 2010, for Inergy be declared in the amount of $0.705 per Inergy LP unit ($2.82 annualized), (ii) the regular quarterly cash distribution with respect to the fourth quarter ended September 30, 2010, for Holdings be declared in the amount of $0.34 per Holdings common unit ($1.36 annualized), and (iii) both distributions be paid on October 29, 2010 to the respective unitholders of record on October 22, 2010.

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RISK FACTORS

In addition to the other information contained in or incorporated by reference into this proxy statement/prospectus, including, without limitation, the risk factors and other information contained in Inergy s Annual Report on Form 10-K for the year ended September 30, 2009, the risk factors contained in Inergy s Current Report on Form 8-K filed on September 7, 2010, the risk factors and other information contained in Holdings Annual Report on Form 10-K for the year ended September 30, 2009, and the risk factors contained in Holdings Current Report on Form 8-K filed on September 7, 2010, you should carefully consider the following risk factors in deciding whether to vote to approve the merger, the merger agreement and the transactions contemplated thereby. This proxy statement/prospectus also contains forward-looking statements that involve risks and uncertainties. Please read Forward-Looking Statements on page 83.

Risks Related to the Merger and Related Matters

Because the exchange ratio is fixed, the market value of the merger consideration to Holdings unitholders will be determined by the price of Inergy LP units, the value of which will decrease if the market value of Inergy LP units decreases, and Holdings unitholders cannot be sure of the market value of Inergy LP units that will be issued.

Pursuant to the merger agreement, the 0.77 exchange ratio is fixed. As a result, the merger consideration will consist of (i) approximately 35.2 million Inergy LP units that will be issued by Inergy to the Holdings unitholders, (ii) 1,080,453 Inergy LP units directly owned by Holdings that will be distributed by Holdings to the Holdings unitholders, and (iii) 11,568,560 Class B units that will be issued by Inergy to the PIK Recipients. The aggregate market value of Inergy LP units that Holdings unitholders will receive in the merger and the aggregate market value of the Class B units that the PIK Recipients will receive in the merger will fluctuate with any changes in the trading price of Inergy LP units. This means there is no price protection mechanism contained in the merger agreement that would adjust the number of Inergy LP units that Holdings unitholders will receive or the number of Class B units that the PIK Recipients will receive based on any decreases in the trading price of Inergy LP units. If the Inergy LP unit price decreases, the market value of the merger consideration received by Holdings unitholders (including the PIK Recipients) will also decrease. Consider the following example:

Example: Pursuant to the merger agreement, Holdings unitholders will be entitled to receive 0.77 Inergy LP units for each Holdings common unit, subject to receipt of cash in lieu of any fractional Inergy LP units and Class B units. Based on the closing sales price of Inergy LP units on August 6, 2010 of $43.37 per unit, the market value of the Inergy LP units to be received by Holdings unitholders (including the 1,080,453 Inergy LP units to be distributed to Holdings unitholders by Holdings but excluding the Class B units) would be approximately $1,574 million. If the trading price for Inergy LP units decreased 10% from $43.37 to $39.03, then the market value of the Inergy LP units to be received by Holdings unitholders (including the 1,080,453 Inergy LP units to be distributed to Holdings unitholders by Holdings but excluding the Class B units) would be approximately $1,417 million. Any decline in the price of Inergy LP units may not be matched by a similar decline in the price of Holdings common units absent the merger.

Accordingly, there is a risk that the premium to Holdings unitholders of approximately 8.9%, based upon the 20-trading day average closing prices of the Holdings common units and Inergy LP units ending August 6, 2010, the last trading day before the public announcement of the proposed merger, will not be realized by Holdings unitholders at the time the merger is completed. Inergy LP unit price changes may result from a variety of factors, including general market and economic conditions, changes in its business, operations and prospects, and regulatory considerations. Many of these factors are beyond Inergy s control. For historical prices of Holdings common units and Inergy LP units, please read Market Prices and Distribution Information on page 23.

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Holdings partnership agreement contains provisions that reduce the remedies available to Holdings unitholders for actions by Holdings GP. It will be difficult for a Holdings unitholder to challenge a resolution of a conflict of interest by Holdings GP or by its conflicts committee.

Whenever Holdings GP makes a determination or takes or declines to take any other action in its capacity as Holdings general partner, it will be obligated to act in good faith, which means it must reasonably believe that the determination or other action is in Holdings best interests. Whenever a potential conflict of interest exists between Holdings and Holdings GP, Holdings GP may resolve such conflict of interest. If Holdings GP determines that its resolution of the conflict of interest is on terms no less favorable to Holdings than those generally being provided to or available from unrelated third parties or is fair and reasonable to Holdings, taking into account the totality of the relationships between Holdings and Holdings GP, then it shall be presumed that in making this determination, Holdings GP acted in good faith. A Holdings unitholder seeking to challenge this resolution of the conflict of interest would bear the burden of overcoming such presumption. This is different from the situation with Delaware corporations, where a conflict resolution by an interested party would be presumed to be unfair and the interested party would have the burden of demonstrating that the resolution was fair.

Furthermore, if Holdings GP obtains the approval of its conflicts committee, the resolution will be conclusively deemed to be fair and reasonable to Holdings and not a breach by Holdings GP of any duties it may owe to Holdings or Holdings unitholders. This is different from the situation with Delaware corporations, where a conflict resolution by a committee consisting solely of independent directors would merely shift the burden of demonstrating unfairness to the plaintiff. As a result, Holdings unitholders will effectively not be able to challenge a decision by the conflicts committee.

In light of conflicts of interest in connection with the merger between Inergy and its controlling affiliates, including Holdings GP, on the one hand, and Holdings and the unaffiliated Holdings unitholders, on the other hand, the Holdings Board referred the merger and related matters to the Holdings Conflicts Committee. Under Holdings partnership agreement, any resolution or course of action by Holdings GP in respect of a conflict of interest is permitted and deemed approved by all partners, and does not constitute a breach of Holdings partnership agreement, or of any duty stated or implied by law or equity, if the resolution or course of action in respect of such conflict of interest is approved by Special Approval. Under Holdings partnership agreement, Special Approval means the approval by the sole member or by a majority of the members of a conflicts committee of the Holdings Board of one or more independent directors.

The Holdings Conflicts Committee determined that the merger, the merger agreement and the transactions contemplated thereby, were fair and reasonable to, and in the best interests of, Holdings and the unaffiliated Holdings unitholders. In addition, the Holdings Conflicts Committee (i) approved and declared advisable the merger, the merger agreement and the transactions contemplated thereby, such approval by the Holdings Conflicts Committee constituting Special Approval under Holdings partnership agreement and (ii) recommended the approval of the merger, the merger agreement and the transactions contemplated thereby by the Holdings Board. The fiduciary duties of the Holdings Conflicts Committee and the Holdings Board to you in connection with the merger are substantially limited by Holdings partnership agreement, and any proceeding by a Holdings unitholder to challenge the transaction is made meaningfully more difficult by the Special Approval of the Holdings Conflicts Committee, which makes the resolution of any conflict of interest conclusively deemed to be fair and reasonable to Holdings and not a breach by Holdings GP of any duties it may owe to Holdings or Holdings unitholders.

The directors and executive officers of Holdings GP and Inergy GP may have interests that differ from your interests.

In considering the recommendation of the Holdings Board to approve the merger, the merger agreement and the transactions contemplated thereby, Holdings unitholders should be aware that some of the executive officers

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and directors of Holdings GP have interests in the merger that may differ from, or may be in addition to, the interests of Holdings unitholders generally. These interests may present such executive officers and directors with actual or potential conflicts of interest. These interests include the following:

Director and Executive Officer Interlock. Certain directors and all of the executive officers of Holdings GP are also directors and executive officers of Inergy GP. Messrs. John J. Sherman, Warren H. Gfeller and Arthur B. Krause serve as members of both the Holdings Board and the Inergy Board. Mr. John J. Sherman is the President and Chief Executive Officer of both Holdings GP and Inergy GP. Mr. Phillip L. Elbert is the Chief Operating Officer and President Propane Operations of both Holdings GP and Inergy GP. Mr. R. Brooks Sherman, Jr. is the Executive Vice President and Chief Financial Officer of both Holdings GP and Inergy GP. Ms. Laura L. Ozenberger is the Senior Vice President, General Counsel and Secretary of both Holdings GP and Inergy GP.

Holdings Equity Based Awards. Directors and certain executive officers of Holdings GP also hold Holdings Unit Options and Holding Restricted Units (each as defined under the heading The Merger Agreement Treatment of Holdings Equity Based Awards). These Holdings equity awards will continue to vest in accordance with the vesting schedule of the original award. However, upon eventual exercise or vesting, as applicable, the awards will be settled through the delivery of a number of Inergy LP units adjusted to reflect the 0.77 exchange ratio. In addition, the exercise price of Holdings Unit Options will be increased to reflect the 0.77 exchange ratio.

Indemnification and Insurance. The merger agreement provides for indemnification by Inergy of each person who was, as of the date of the original merger agreement, or is at any time from the date of the original merger agreement through the effective date, an officer or director of Holdings or any of its subsidiaries or acting as a fiduciary under or with respect to any employee benefit plan of Holdings and for the maintenance of directors and officers liability insurance covering directors and executive officers of Holdings GP for a period of six years following consummation of the merger. Inergy also agreed that all rights to indemnification now existing in favor of indemnified parties as provided in the Holdings partnership agreement (or, as applicable, the charter, bylaws, partnership agreement, limited liability company agreement, or other organizational documents of any of Holdings subsidiaries) will be assumed by Inergy and Inergy GP in the merger, without further action, at the effective time of the merger and will survive the merger and will continue in full force and effect in accordance with their terms.

The directors and executive officers of Holdings GP beneficially owned an aggregate of 33.6 million Holdings common units as of October 1, 2010, representing approximately 54.1% of the total voting power of Holdings voting securities.

Senior management also prepared projections with respect to Inergy s future financial and operating performance on a stand-alone basis and on a combined basis. These projections were provided to TudorPickering for use in connection with the preparation of its opinions to the Holdings Conflicts Committee and related financial advisory services. The projections were also provided to the Inergy Board, the Holdings Board, the committees and their financial advisors.

Inergy and Holdings are subject to litigation related to the transactions contemplated by the merger agreement.

Since Inergy and Holdings announced on August 9, 2010 their entry into the original merger agreement, five unitholder class action lawsuits have been filed by Holdings unitholders against Holdings, Inergy, Holdings GP, Inergy GP, certain other parties to the merger agreement, certain executive officers, and the members of the Holdings Board. Additionally, one unitholder class action lawsuit has been filed by Inergy unitholders against Holdings, Inergy, Inergy GP, certain executive officers, and certain members of the Holdings Board.

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The allegations and status of these lawsuits are more fully described under The Proposed Merger Litigation. The plaintiffs in these lawsuits seek to enjoin Holdings from proceeding with or consummating the proposed merger. To the extent that the merger is implemented before relief is granted, the plaintiffs seek to have the merger rescinded. The plaintiffs also seek damages and attorneys fees from all defendants.

It is possible that additional claims will be brought by the current plaintiffs or by others in an effort to enjoin the transactions contemplated by the merger agreement or seek monetary relief from Holdings.

While Inergy and Holdings do not believe the lawsuits have merit and intend to defend the lawsuits vigorously, Inergy and Holdings cannot predict the outcome of the lawsuits, or other potential lawsuits related to the transactions contemplated by the merger agreement, nor can Inergy and Holdings predict the amount of time and expense that will be required to resolve the lawsuits. An unfavorable resolution of any such litigation surrounding the transactions contemplated by the merger agreement could delay or prevent the consummation of such transactions. In addition, the cost to Inergy and Holdings of defending the litigation, even if resolved in their favor, could be substantial. Such litigation could also divert the attention of management and resources in general from day-to-day operations.

The right of a Holdings unitholder to distributions will be changed following the merger.

Holdings is entitled to receive approximately 6.6% of all distributions made by Inergy based on its current direct and indirect ownership of 4,706,689 Inergy LP units and an approximate 0.6% economic general partner interest in Inergy. In addition, under Inergy s current partnership agreement, Holdings is also entitled to receive, pursuant to its ownership of the IDRs, increasing percentages, up to a maximum of 48%, of the amount of incremental cash distributed by Inergy in respect of Inergy LP units as certain target distribution levels are reached in excess of $0.33 per Inergy LP unit in any quarter. As a result, Holdings is currently entitled to receive approximately 32.3% of the aggregate amount of cash distributed by Inergy to its partners based on Holdings current direct and indirect ownership of 4,706,689 Inergy LP units, the approximate 0.6% economic general partner interest in Inergy and all of the IDRs. After the merger, the former Holdings unitholders as a group will be entitled to receive approximately 33.2% of the aggregate amount of cash distributed by Inergy to its partners prior to the conversion of any Class B units. However, the distributions received by the former unitholders of Holdings could be significantly different in the future. While former Holdings unitholders as a group will be entitled to a larger percentage of the amount of cash distributed by Inergy in the near term, if distributions from Inergy were to increase significantly in the future, the distributions to the former Holdings unitholders could be significantly less than they would be if the merger is not completed because former Holdings unitholders will no longer be entitled to an increasing percentage of distributions attributable to the IDRs, which will be cancelled in connection with the merger.

The matters contemplated by the merger agreement may not be completed even if the requisite Holdings unitholder approval is obtained, in which case the partnership agreement of Inergy will not be amended and restated.

The merger agreement contains conditions that, if not satisfied or waived, would result in the merger not occurring, even though Holdings unitholders may have voted in favor of the merger agreement and related matters. In addition, Holdings and Inergy can agree not to complete the merger even if the Holdings unitholder approval has been received. The closing conditions to the merger may not be satisfied, and Holdings or Inergy may choose not to waive any unsatisfied condition, which may cause the merger not to occur. If the merger does not occur, Inergy s partnership agreement will not be amended and restated.

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After the sixtieth (60th) calendar day after this proxy statement/prospectus is first filed with the SEC, Holdings opportunities to enter into different business combination transactions with other parties on more favorable terms may be limited, and both Holdings and Inergy may be limited in their ability to pursue other attractive business opportunities.

Commencing on the sixty-first (61st) calendar day after this proxy statement/prospectus is first filed with the SEC, Holdings is prohibited from knowingly initiating, soliciting or encouraging the submission of any acquisition proposal (as defined in the merger agreement) or from participating in any discussions or negotiations regarding, or furnishing to any person any non-public information with respect to, any acquisition proposal, subject to certain exceptions. As a result of these provisions in the merger agreement, Holdings opportunities to enter into more favorable transactions may be limited. Likewise, if Holdings were to sell directly to a third party, it might have received more value with respect to the approximate 0.6% economic general partner interest in Inergy, the Inergy LP units directly and indirectly owned by Holdings and the IDRs in Inergy based on the value of the business at such time. For a detailed discussion of limitations on Holdings ability to pursue other attractive business opportunities, please read The Merger Agreement Solicitation of Other Offers by Holdings beginning on page 106.

Moreover, the merger agreement provides for the payment of $20 million by Holdings as a termination fee under specified circumstances, which may discourage other parties from proposing alternative transactions that could be more favorable to the Holdings unitholders. For a detailed discussion of the termination fee, please read The Merger Agreement Termination Fee and Expenses beginning on page 111.

Both Holdings and Inergy have also agreed to refrain from taking certain actions with respect to their businesses and financial affairs pending completion of the merger or termination of the merger agreement. These restrictions could be in effect for an extended period of time if completion of the merger is delayed. These limitations do not preclude Inergy from conducting its business in the ordinary or usual course or from acquiring assets or businesses so long as such activity does not have a material adverse effect as such term is defined in the merger agreement or materially affect Inergy s or Holdings ability to complete the transactions contemplated by the merger agreement. For a detailed discussion of these restrictions, please read The Merger Agreement Actions Pending the Merger beginning on page 100.

In addition to the economic costs associated with pursuing the merger, the management of Holdings GP and Inergy GP will continue to devote substantial time and other human resources to the proposed merger, which could limit Holdings and Inergy s ability to pursue other attractive business opportunities, including potential joint ventures, stand-alone projects and other transactions. If either Holdings or Inergy is unable to pursue such other attractive business opportunities, then their growth prospects and the long-term strategic position of their businesses following consummation of the merger could be adversely affected.

Existing Inergy unitholders will be diluted by the merger.

The merger will dilute the ownership position of the existing Inergy unitholders. Pursuant to the merger agreement, the merger consideration will consist of (i) approximately 35.2 million Inergy LP units that will be issued by Inergy to the Holdings unitholders, (ii) 1,080,453 Inergy LP units directly owned by Holdings that will be distributed by Holdings to the Holdings unitholders, and (iii) 11,568,560 Class B units that will be issued by Inergy to the PIK Recipients. The Class B units will convert automatically into Inergy LP units on a one-for-one basis, with 50% of the outstanding Class B units converting into Inergy LP units following the payment date of the fourth quarterly distribution following the closing of the merger and the remaining outstanding Class B units converting into Inergy LP units following the payment date of the eighth quarterly distribution following the closing of the merger. Until the Class B units are converted into Inergy LP units, distributions on Class B units will be paid in additional Class B units issued in kind no later than 45 days after the end of each quarter following consummation of the merger. Accordingly, the issuance of additional Class B units as payment in kind for distributions will also further dilute the Inergy LP units upon their conversion. Immediately following

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consummation of the merger, Inergy will be owned approximately 60.4% by its current unitholders and approximately 39.6% by former Holdings unitholders.

The number of outstanding Inergy LP units will increase as a result of the merger, which could make it more difficult to pay the current level of quarterly distributions.

As of October 1, 2010, there were approximately 77.7 million Inergy LP units outstanding. Inergy will issue approximately 35.2 million Inergy LP units and 11,568,560 Class B units in connection with the merger. Accordingly, the dollar amount required to pay the current per unit quarterly distributions will increase, which will increase the likelihood that Inergy will not have sufficient funds to pay the current level of quarterly distributions to all Inergy unitholders. Using the amount of $0.705 per Inergy LP unit paid with respect to the third quarter of fiscal 2010, the aggregate cash distribution paid to Inergy unitholders totaled approximately $64.6 million, including a distribution of $21.4 million to Holdings in respect of its direct and indirect ownership of Inergy LP units, the economic general partner interest in Inergy and IDRs. The combined pro forma Inergy distribution with respect to the third quarter of fiscal 2010 (including the pro forma effect of the issuance of Inergy LP units in Inergy s September 2010 equity offering), had the merger been completed prior to such distribution and assuming the full conversion of all Class B units into Inergy LP units, would result in $0.705 per unit being distributed on approximately 120.9 million Inergy LP units, or a total of approximately $85.2 million, with Holdings no longer receiving any distributions. As a result, Inergy would be required to distribute an additional $20.6 million per quarter in order to maintain the distribution level of $0.705 per Inergy LP unit paid with respect to the third quarter of fiscal 2010.

Although the elimination of the IDRs may increase the cash available for distribution to Inergy LP units in the future, this source of funds may not be sufficient to meet the overall increase in cash required to maintain the current level of quarterly distributions to holders of Inergy LP units.

Financial forecasts by Inergy may not prove accurate.

In performing its financial analyses and rendering its opinions regarding the fairness from a financial point of view of the merger consideration, the independent financial advisor to the Holdings Conflicts Committee reviewed and relied on, among other things, internal financial analyses and forecasts for Inergy prepared by senior management. These financial forecasts include assumptions regarding future operating cash flows, capital expenditures and distributable income of Inergy and Holdings. These financial forecasts were not prepared with a view to public disclosure, are subject to significant economic, competitive, industry and other uncertainties and may not be achieved in full, at all or within forecasted timeframes. The failure of Inergy s businesses to achieve forecasted results, including expected cash flows or distributable cash flows, could have a material adverse effect on the Inergy LP unit price, financial position and ability to maintain or increase its distributions following consummation of the merger.

Failure to complete the merger or delays in completing the merger could negatively impact Inergy s common unit price and Holdings common unit price.

If the merger is not completed for any reason, Inergy and Holdings may be subject to a number of material risks, including the following:

- Inergy will not realize the benefits expected from the merger, including a potentially enhanced financial and competitive position;
- the price of Inergy LP units or Holdings common units may decline to the extent that the current market price of these securities reflects a market assumption that the merger will be completed;
- under certain circumstances, Holdings may be required to pay Inergy a termination fee of $20 million, or Holdings or Inergy may be required to reimburse the other for up to $3 million in transaction related expenses; and

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some costs relating to the merger, such as certain investment banking fees and legal and accounting fees, must be paid even if the merger is not completed.

The costs of the merger could adversely affect Inergy s operations and cash flows available for distribution to its unitholders.

Inergy and Holdings estimate the total costs of the merger will be approximately $10 million, primarily consisting of investment banking and legal advisors fees, accounting fees, financial printing and other related costs. These costs could adversely affect Inergy s operations and cash flows available for distributions to its unitholders. The foregoing estimate is preliminary and is subject to change.

If the merger agreement were terminated, Holdings may be obligated to pay Inergy a termination fee and/or reimburse Inergy for costs incurred related to the merger. These costs could require Holdings to seek loans or use Holdings available cash that would have otherwise been available for distributions.

Upon termination of the merger agreement, and depending upon the circumstances leading to that termination, Holdings may be required to pay Inergy a termination fee of $20 million, and Holdings or Inergy may be obligated to reimburse the other for up to $3 million in merger related expenses. For a detailed discussion of the various circumstances leading to a payment of the termination fee and the reimbursement of expenses, please read The Merger Agreement Termination Fee and Expenses beginning on page 111.

If the merger agreement is terminated, the termination fee and/or expense reimbursements required by Holdings under the merger agreement may require Holdings to seek loans, borrow amounts under its revolving credit facility or use cash received from its distributions from Inergy to pay these costs. In either case, the payment of the termination fee and/or the reimbursement of merger related expenses could reduce the cash Holdings has available to make its quarterly distributions.

Other Risk Factors of Inergy

The Tres Palacios acquisition may not be consummated.

The Tres Palacios acquisition is expected to close in October 2010 and is subject to customary closing conditions and regulatory approvals. If these conditions and regulatory approvals are not satisfied or waived, the acquisition will not be consummated. Certain of the conditions remaining to be satisfied include:

- antitrust clearance;
- the continued accuracy of the representations and warranties contained in the purchase and sale agreement;
- the performance by each party of its obligations under the purchase and sale agreement;
- the absence of any temporary restraining order, preliminary injunction, injunction or other order from any governmental authority to materially delay or otherwise enjoin the transactions contemplated in the purchase agreement; and
- the receipt of legal opinions for each of Inergy and TP Gas Holding LLC.

In addition, TP Gas Holding LLC may terminate the transaction if the acquisition has not closed on or before November 15, 2010. The closing of the merger is not contingent upon the consummation of the Tres Palacios acquisition.

Inergy may not be able to achieve its current expansion plans at the Tres Palacios facility on economically viable terms.

Inergy s current expansion plans include the addition of 11.4 Bcf of incremental working gas capacity scheduled to be placed in service in the fourth calendar quarter of 2010 (Cavern 3), and an additional 9.5 Bcf of working gas capacity expected to be placed in service by or before 2014 (Cavern 4). In connection with these

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expansion efforts, Inergy may encounter difficulties in the drilling required to access subsurface storage caverns, the drilling of raw water wells or salt water disposal wells and the completion of the wells. These risks include the following:

- unexpected operational events;
- adverse weather conditions;
- facility or equipment malfunctions or breakdowns;
- unusual or unexpected geological formations;
- drill bit or drill pipe difficulties;
- collapses of wellbore, casing or other tubulars or other loss of drilling hole;
- unexpected problems associated with filling the caverns with base gas and conducting pressure and mechanical integrity tests;
- unexpected problems associated with leaching the caverns, filtration of extracted water and offsite disposal of water; and
- risks associated with subcontractors services, supplies, cost escalation and personnel.

Specifically, the creation of a salt-cavern storage facility requires sourcing, injecting, withdrawing and disposing of a significant volume of water. For example, to create 10 Bcf of working capacity, a salt cavern requires approximately 72 million barrels of raw water supply and an equivalent volume of salt water disposal. Additionally, the rate of access to raw water and the rate of disposal of salt water have a direct impact on the time it takes to create a salt cavern. Any physical or regulatory restriction imposed on Inergy s current operations with respect to accessing raw water or disposing of salt water would have an adverse impact on Inergy s ability to timely and fully expand the Tres Palacios facility. The occurrence of uninsured or under-insured losses, delays or operating cost overruns associated with these drilling efforts could have a negative impact on Inergy s operations and financial results.

Inergy may not be able to increase the capacity of the Tres Palacios facility beyond its current expansion plans.

While Inergy has both the property rights and operational capacity necessary to expand the Tres Palacios facility beyond the currently permitted capacity of 36.04 Bcf, it may not be able to secure the financing or authorizations, including the currently pending application to the Federal Energy Regulatory Commission (the FERC) requesting authorization to expand Tres Palacios certificated capacity to 38.4 Bcf, necessary to pursue such expansion and the necessary infrastructure modifications that would be needed to accommodate such expansion. Additionally, such expansion will be subject to market demand, the successful execution of any expansion projects and the availability of sufficient third-party interstate and intrastate pipelines receipt and deliverability capacity to accommodate the increased capacity. Any combination of these factors may prevent Inergy from expanding the Tres Palacios facility beyond its current permitted capacity.

Tres Palacios authorizations to charge market-based rates are subject to the continued existence of certain conditions related to the facilities competitive position in its market.

The rates Tres Palacios charges for storage services are regulated by the FERC pursuant to its market-based rate policy, which allows regulated entities to charge rates different from, and in some cases, less than, those which would be permitted under traditional cost-of-service regulation.

Tres Palacios authorization to charge market-based rates is based on determinations by the FERC that Tres Palacios does not have market power in its market. The determination that storage facilities lack market power is subject to review and revision by the FERC if there is a change in circumstances that could affect the ability of additional storage or

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interconnected pipeline facilities to exercise market power. Among the sorts of changes in circumstances that could raise market power concerns would be an expansion of Tres Palacios capacity, acquisitions, or other changes in market dynamics. If the FERC were to conclude that Tres Palacios may have acquired and cannot mitigate market power, its rates could become subject to cost-of-service regulation.

If Tres Palacios rates become subject to cost-of-service regulation, the maximum rates that may be charged for storage services would be established through the FERC s ratemaking process. Generally, cost-of-service based rates for interstate natural gas services are based on the cost of providing service including recovery of, and a reasonable return on, the entity s actual prudent historical cost investment for providing jurisdictional service. Maximum rates determined on a cost-of-service basis could adversely impact Tres Palacios profitability, and have adverse consequences on Inergy s cash flow and its ability to make distributions. Additionally, changes in generally applicable FERC ratemaking policies could also affect Tres Palacios.

The Tres Palacios natural gas storage facilities are new and have limited operating history. The facilities may not be able to deliver as anticipated, which could prevent Inergy from meeting its contractual obligations and cause it to incur significant costs.

Although Inergy believes that the operating Tres Palacios gas storage facilities have been designed to meet its contractual obligations with respect to wheeling, injection, withdrawal and gas specifications, the facilities are new and have a limited operating history. Cavern 1 (12.7 Bcf) was placed into service in October 2008 and Cavern 2 (14.4 Bcf) was placed into service in July 2009. If Inergy fails to wheel, inject or withdraw natural gas at contracted rates, or cannot deliver natural gas consistent with contractual quality specifications, Inergy could incur significant costs to satisfy its contractual obligations. These costs could have an adverse impact on Inergy s business, financial condition, results of operations and ability to make distributions.

Tax Risks Related to the Transactions

In addition to reading the following risk factors, you should read Material U.S. Federal Income Tax Consequences of the Transactions beginning on page 124 and U.S. Federal Income Taxation of Ownership of Inergy LP Units and Class B Units beginning on page 130 for a more complete discussion of the expected material U.S. federal income tax consequences of the Transactions and of owning and disposing of Inergy LP units received in the Transactions.

No ruling has been obtained with respect to the tax consequences of the Transactions.

No ruling has been or will be requested from the IRS with respect to the tax consequences of the Transactions. Instead, Holdings is relying on the opinion of counsel to its Conflicts Committee as to the tax consequences of the Transactions, and counsel s conclusions may not be sustained if challenged by the IRS. Please read Material U.S. Federal Income Tax Consequences of the Transactions.

The intended tax consequences of the Transactions are dependent upon each of Inergy and Holdings being treated as a partnership for tax purposes.

The treatment of the Transactions as described in this proxy statement to Holdings unitholders is dependent upon each of Inergy and Holdings being treated as a partnership for U.S. federal income tax purposes. If either Inergy or Holdings were treated as a corporation for U.S. federal income tax purposes, the consequences of the Transactions would be materially different, and the Transactions would likely be fully taxable transactions to a Holdings unitholder.

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The tax treatment of the Transactions is subject to potential legislative change and differing judicial or administrative interpretations.

The U.S. federal income tax consequences of the Transactions depend in some instances on determinations of fact and interpretations of complex provisions of U.S. federal income tax law. The U.S. federal income tax rules are constantly under review by persons involved in the legislative process, the IRS and the U.S. Treasury Department, frequently resulting in revised interpretations of established concepts, statutory changes, revisions to Treasury regulations and other modifications and interpretations. Any modification to the U.S. federal income tax laws or interpretations thereof may or may not be applied retroactively and could change the tax treatment of the Transactions to Holdings unitholders and Inergy unitholders. For example, the U.S. House of Representatives has passed legislation relating to the taxation of carried interests that would treat transactions, such as the Transactions, occurring on or after an effective date of January 1, 2011, as a taxable exchange to a Holdings unitholder. The U.S. Senate is considering legislation that would have a similar effect. We are unable to predict whether this proposed legislation or any other proposals will ultimately be enacted, and if so, whether any such proposed legislation would be applied retroactively.

If certain proposed regulations were to be finalized or the value of the Inergy Class A units issued to IPCH and Inergy Partners is less than the aggregate value of the Inergy LP units and general partner interests owned by IPCH and Inergy Partners exchanged therefor, IPCH could be deemed to have distributed appreciated property.

In 1992, the IRS released Proposed Treasury Regulation Section 1.337(d)-3 effective for transactions occurring after March 9, 1989. It is not clear whether or when these proposed regulations will be finalized. The proposed regulations, if enacted as final regulations in their present form, could apply to cause IPCH to be treated as distributing a portion of its property in redemption of its stock. Similarly, if the value of the Inergy Class A units issued to IPCH or Inergy Partners, respectively, is less than the value of the Inergy LP units and general partner interests IPCH or Inergy Partners exchanged therefor, IPCH could be deemed to have distributed to Holdings a portion of the Inergy LP units and general partner interests with a value in excess of the value of the Class A common units received in the exchange.

In either case, the deemed distribution would be treated as a sale of the distributed property by IPCH in a fully taxable transaction, and IPCH would recognize gain equal to the amount, if any, by which the fair market value of such property exceeds the adjusted basis thereof. Where the value of the Class A units is less than the Inergy LP units and general partner interests that IPCH exchanged therefor, Holdings also likely would be treated as receiving a taxable distribution from IPCH in an amount equal to the excess portion of the Inergy LP units and general partner interest. This deemed distribution would be treated as a dividend to Holdings to the extent of IPCH s current and accumulated earnings and profits (including earnings and profits attributable to the gain on the deemed sale by IPCH of the excess portion of these rights and interests), then as a return of capital to the extent of the adjusted tax basis of Holdings in its IPCH stock, and thereafter, any amount in excess of such tax basis would be treated as gain from the sale of IPCH stock.

Please read Material U.S. Federal Income Tax Consequences of the Transactions Tax Consequences of the Transactions to Holdings Unitholders Actual or Constructive Distributions of Cash Constructive Distribution Resulting From the GP Exchange.

A Holdings unitholder will recognize taxable income or gain as a result of (i) a decrease in such unitholder s share of partnership liabilities, or (ii) an actual or constructive distributions of cash or other property.

For U.S. federal income tax purposes no income or gain should be recognized by a Holdings unitholder as a result of the Transactions other than an amount of income or gain, which Holdings expects to be immaterial, due

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to (i) any decrease in a Holdings unitholder s share of partnership liabilities pursuant to Section 752 of the Internal Revenue Code, (ii) any actual and constructive distributions of cash or other property, or (iii) amounts paid by one person to or on behalf of another person pursuant to the merger agreement. Although Holdings currently estimates that any such gain recognized would be immaterial, actual amounts could be more than anticipated.

Please read Material U.S. Federal Income Tax Consequences of the Transactions.

The Transactions, when combined with all other unit sales within the prior twelve-month period, will cause a constructive termination and reconstitution of Inergy s partnership for federal income tax purposes and among other things, result in a deferral of certain deductions allowable in computing Inergy s and Holdings taxable income.

A partnership is considered to terminate for federal income tax purposes if there is a sale or exchange of 50% or more of the total interests in its capital and profits within a twelve-month period. It is anticipated that the Transactions will result in an exchange of partnership interests in Holdings that, together with all other units sold within the prior twelve-month period, will represent a sale or exchange of 50% or more of the total interest in Inergy s capital and profits. Consequently, Holdings expects that Inergy will be treated as having terminated, and as having been reconstituted, as a partnership for federal income tax purposes as a result of the Transactions. Although Inergy s constructive termination should not affect Inergy s classification or Holdings classification as a partnership for federal income tax purposes, it will result in a deferral of certain deductions allowable in computing Inergy s and Holdings taxable income for the year in which the termination occurs. Although Holdings and Inergy have included the estimated impact of Inergy s termination in the projections discussed under the heading Material U.S. Federal Income Tax Consequences of the Transactions Effect of the Transactions on the Anticipated Ratio of Taxable Income to Cash Distributions for Holdings Unitholders, the actual amount and effect of such deferral and the increase in net income, or decrease in net loss, for any Holdings common unitholder may be more than anticipated because it will depend upon the unitholder s particular situation, including when, and at what prices, the unitholder purchased its Holdings common units and the ability of the unitholder to utilize any suspended passive losses. For a discussion of the anticipated effects on the taxable income of Holdings common unitholders, please read Material U.S. Federal Income Tax Consequences of the Transactions Effect of the Transactions on the Anticipated Ratio of Taxable Income to Cash Distributions for Holdings Unitholders.

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SPECIAL FACTORS

Background of the Merger

Management has continuously evaluated strategic alternatives in an effort to enhance unitholder value. More recently, over the past two years, senior management has focused on improving the competitive position of Inergy and enhancing its long-term growth prospects by reducing Inergy s cost of capital, the impact of which would benefit unitholders of both Inergy and Holdings. Senior management believes that Inergy s cost of capital had become high in comparison to a number of peer MLPs. As the holder of the IDRs, Holdings is entitled to increasing percentages of the cash distributed from Inergy above certain levels. For instance, Holdings is currently participating at the highest split level possible pursuant to its incentive distribution rights and is receiving approximately 48% of any incremental Inergy distribution increases in the future. Holdings ownership interests in Inergy LP units, a 0.6% economic general partner interest in Inergy and the IDRs results in Holdings currently receiving an aggregate of approximately 32.3% of all cash distributed by Inergy. Senior management s focus on reducing Inergy s cost of equity capital became more acute after several other midstream MLPs, including Buckeye Pipeline Partners, L.P. (Buckeye), Sunoco Logistics Partners LP, Nustar Energy LP, Magellan Midstream Partners, L.P. (Magellan), Eagle Rock Energy Partners, L.P. (Eagle Rock) and MarkWest Energy Partners, L.P. (MarkWest), acted to reduce their cost of equity capital by repurchasing, capping or eliminating their respective incentive distribution rights. By eliminating the IDRs, senior management believes that Inergy will be more competitive when pursuing acquisitions and able to finance organic growth projects less expensively, which is expected to enhance Inergy s long-term distribution growth prospects.

On a number of occasions, the Inergy Board and Holdings Board have discussed Inergy s cost of capital and the impact of the IDRs on Inergy s cost of capital. For example:

- At a February 14, 2008 meeting of the Inergy Board and the Holdings Board, Mr. John Sherman discussed the cost of capital inefficiency at Inergy, and he indicated that Inergy and Holdings were considering various options to address the inefficiency.

- On April 1, 2008, the Inergy Board and the Holdings Board held a special meeting to consider the potential acquisition of a major propane retailer and concluded that such acquisition was not possible without a temporary restructuring of the IDRs.

- At the quarterly meeting of the Inergy Board and the Holdings Board held on August 14, 2008, Mr. Sherman explained that management had considered a number of alternatives that could potentially enhance unitholder value and improve Inergy s cost of capital, including a potential restructuring of Inergy s midstream and propane segments.

- At the regular quarterly meeting of the Inergy Board and the Holdings Board on August 12, 2009, Inergy s cost of capital inefficiencies were highlighted in discussions regarding an acquisition of another large propane retailer and again at the quarterly meeting of the Inergy Board and the Holdings Board held on February 11, 2010 regarding a combination with another large propane retailer.

Furthermore, during the first calendar quarter of 2010, senior management began discussions with another MLP regarding a proposed combination. The financial advisors for the MLP indicated that the MLP was not interested in transacting under Inergy s current structure. In connection with this proposed transaction:

- On March 3, 2010, financial advisors for the MLP delivered a conceptual transaction structure, which included an analysis of a potential Inergy buy-out of the IDRs held by Holdings.

- On March 15, 2010, the Inergy Board and the Holdings Board held a special meeting to evaluate a large midstream acquisition and concluded that the acquisition would not be possible without an adjustment to the IDRs.

In late May 2010, management began evaluating various structures and economics for a proposed combination and restructuring and throughout June 2010 continued to refine the structures.

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On June 18, 2010, certain members of senior management met to discuss the proposed MLP combination and restructuring. At this meeting, senior management reviewed an internally prepared preliminary accretion/dilution analysis of the combination and restructuring.

As a result of the continuing need to address cost of capital issues, on June 21, 2010, the Inergy Board and the Holdings Board held a special meeting to consider a proposed restructuring and combination between Inergy and Holdings to attempt to systematically and permanently improve the cost of capital. Also participating were certain members of senior management and a representative of Vinson & Elkins L.L.P. (Vinson & Elkins). Mr. John Sherman gave an overview of the reasons why the boards might consider any restructuring, which included a potential reduction in cost of capital, simplified organizational structure, cash savings, a potential midstream merger that would require the restructuring, and potentially unfavorable tax legislation impacting Holdings unitholders. Mr. John Sherman noted that approximately 30% of Inergy s cash flow was being paid to Holdings pursuant to the IDRs, thus making it difficult for Inergy to grow without subsidies from Holdings. Mr. Sherman also noted similar restructuring transactions had been effected by other MLPs, including Buckeye, Eagle Rock, Magellan and MarkWest.

Senior management stated that an acquisition of Holdings could be in the best interest of Inergy because it would:

reduce Inergy s cost of capital by eliminating the IDRs;

result in an improved ability to compete successfully for acquisition opportunities and development projects;

better position Inergy to execute on consolidation opportunities;

simplify the governance of Inergy;

improve transparency of Inergy for investors benefit;

attract a broader investor base to a single entity with a larger balance sheet, increased float and liquidity; and

provide a greater opportunity for long-term growth in distributions.

To manage the potential conflicts of interest of senior management and certain directors who are directors and/or officers of both Holdings GP and Inergy GP, the Inergy Board adopted resolutions appointing Mr. Robert D. Taylor, an independent director of the Inergy Board, as the single member of an independent special committee (the Inergy Special Committee), and the Holdings Board adopted resolutions appointing Mr. Richard T. O Brien, an independent director of the Holdings Board, as the single member of the Holdings Conflicts Committee, in each case, to: (i) review, evaluate and, if deemed appropriate, negotiate the terms and conditions of a potential simplification transaction or a possible merger transaction with another midstream MLP or both, (ii) determine the advisability of a potential simplification transaction and/or the merger transaction or any alternative transaction, and (iii) make a recommendation to the respective board regarding what action, if any, should be taken by the respective partnership with respect to any proposed transaction or any such alternative transaction. Each board resolution also authorized its committee to engage independent advisors and approved the payment of meeting fees to the members of the committees.

On June 23, 2010, senior management, after considering the knowledge and experience of Vinson & Elkins with public company mergers and acquisitions, the energy industry generally, and Vinson & Elkins experience in advising MLPs and other companies with respect to transactions similar to the proposed transaction, as well as Vinson & Elkins tax and legal knowledge with respect to Inergy and Holdings, as securities and tax counsel to both, determined to engage Vinson & Elkins as special legal counsel and to serve as a legal resource for all parties.

On June 28, 2010, the Holdings Conflicts Committee, after reviewing and considering the knowledge and experience of Andrews Kurth with public company mergers and acquisitions, the energy industry generally, and

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Andrews Kurth s experience in advising MLPs and other companies with respect to transactions similar to the proposed transaction, the Holdings Conflicts Committee determined to engage Andrews Kurth as its legal counsel in connection with the performance of its duties with respect to the proposed transaction.

On June 30, 2010, the Inergy Special Committee determined to engage Husch Blackwell LLP (Husch Blackwell), as its legal counsel. The Inergy Special Committee chose Husch Blackwell as its legal counsel in part due to a previous working relationship that Husch Blackwell shared with Mr. Taylor, Husch Blackwell s extensive experience with public company mergers and acquisitions and, in particular, its understanding of MLPs.

On July 2, 2010, Ms. Ozenberger distributed to each of the Holdings Conflicts Committee and the Inergy Special Committee, a proposed transaction summary, steps memorandum and accompanying structure chart prepared by Vinson & Elkins. In addition, Ms. Ozenberger included a five-year base case forecast dated as of July 1, 2010 prepared by senior management.

On July 2, 2010, Mr. O Brien held a conference call with Mr. O Leary of Andrews Kurth and Ms. Ozenberger to discuss potential financial advisors and to generally discuss the process of the proposed transaction.

On July 12, 2010, the Inergy Special Committee engaged Robert W. Baird & Co. Incorporated (Baird) as its financial advisor to assist the Inergy Special Committee in evaluating the proposed transaction. Specifically, the Inergy Special Committee engaged Baird to render an opinion regarding the fairness to the public unaffiliated common unitholders of Inergy, from a financial point of view, of the aggregate consideration to be paid by Inergy in the merger. Baird was chosen in part due to its experience in analyzing transactions involving energy MLPs, its work with special committees, and both providing fairness opinions for, and undertaking rigorous financial analysis of, streamlining transactions similar to the proposed transaction.

On July 12, 2010, the Holdings Conflicts Committee convened a meeting to discuss potential financial advisors. Mr. O Leary of Andrews Kurth and Ms. Ozenberger were also in attendance and participated at the meeting.

On July 13, 2010, a due diligence meeting was held with representatives from Baird and senior management, including Messrs. John Sherman, R. Brooks Sherman, Jr., Andrew Atterbury, Ms. Ozenberger, Messrs. Kent Blackford, Brian Melton, Michael Campbell and Michael Post. Mr. John Sherman gave an overview of the rationale for the transaction from management s perspective, including that the increasing percentage of cash flow attributable to the IDRs made potential acquisition transactions where Inergy LP units are used as consideration more difficult; a simplification transaction would increase the flexibility of the combined company; and a simplification transaction would avoid potential negative effects of proposed carried interest legislation. Management also discussed the internal forecast that had previously been provided to the Inergy Special Committee and Baird, material events since Inergy s last quarterly report, various proposed expansion projects and expected acquisition priorities in the propane and storage businesses. At Baird s request, senior management delivered supplemental information to Baird the next day.

On July 19, 2010, the Holdings Conflicts Committee held a special meeting in Denver, Colorado, with Mr. O Leary of Andrews Kurth also in attendance, to interview three financial advisory firms in order to select a financial advisor to the Holdings Conflicts Committee. Representatives from each candidate firm made a presentation to the Holdings Conflicts Committee regarding its experience with public company mergers and acquisitions, MLPs in particular and similar simplification or restructuring transactions. After discussing each candidate firm with Mr. O Leary, Mr. O Brien scheduled a follow-up telephonic meeting of the Holdings Conflicts Committee for July 21, 2010 to finalize the selection of a financial advisor.

On July 20, 2010, Mr. Taylor delivered an initial draft of indicative terms dated July 20, 2010 (the Inergy July 20 Draft of Indicative Terms) to Mr. O Brien.

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The Inergy July 20 Draft of Indicative Terms outlined a simplification transaction between Holdings and Inergy pursuant to which (i) the IDRs held by Holdings would be transformed into Inergy LP units; (ii) Holdings interests in IPCH and Inergy Partners would be contributed by Holdings to Inergy in exchange for Inergy LP units; (iii) IPCH and Inergy Partners would contribute to Inergy all of their respective interests in Inergy in exchange for special interests in Inergy; (iv) MergerCo would merge with and into Holdings pursuant to which: (a) Holdings and New NRGP LP would survive the merger, (b) each issued and outstanding common unit of Holdings would be exchanged for Inergy LP units (subject to certain Inergy management members receiving special payment-in-kind units as further described below); (c) all of the outstanding common units of Holdings would thereafter be cancelled; (d) Holdings GP would remain the sole general partner of Holdings, and (e) New NRGP LP would be admitted as the sole limited partner of Holdings.

The Inergy Special Committee initially proposed to exchange each Holdings common unit for Inergy LP units at a 5% premium to Inergy s average closing Inergy LP unit price for the 20-trading day period ending on the third trading day prior to the public announcement of the transaction. The Inergy July 20 Draft of Indicative Terms also provided that at the direction of the Inergy independent directors, Inergy would have the option to pay-in-kind (PIK) on a portion of the distributions payable to members of Inergy senior management, with the intent to eliminate or significantly reduce the need for Inergy to borrow funds to satisfy anticipated quarterly cash distributions to Inergy unitholders for the eight-quarter period (the PIK Period) following the consummation of the transaction. As proposed, the Inergy LP units issued to management in lieu of cash distributions would be subject to a prohibition on transfer for eighteen months from the date of the transaction. Such PIK amount, however, would not reduce future cash distribution levels to any manager below the manager s distribution level immediately prior to the transaction. The Inergy Special Committee proposed that the Inergy LP units issued as PIK would be valued at a 3% annual discount, compounded quarterly (or a 4.585% discount), to Inergy s average closing Inergy LP unit price for the 20-trading day period ending on the third day prior to each future distribution date, if applicable.

With respect to unitholder approval requirements, the Inergy July 20 Draft of Indicative Terms stated that approval of a majority of Holdings unitholders vote would be required to approve the merger, but noted that Mr. Sherman and other affiliates held sufficient voting power to approve the transaction.

In its cover letter to the Inergy July 20 Draft of Indicative Terms, the Inergy Special Committee indicated that it was prepared to move forward with discussions regarding the proposed transaction, subject to the following conditions: (i) the parties ability to rely on the transaction structuring analysis prepared by Vinson & Elkins; (ii) the receipt and satisfactory review by the Inergy Special Committee of the analysis of the tax consequences of a transaction to the current, unaffiliated Inergy unitholders; (iii) management affirmation that an increase in wedge capital of $150 million to $300 million for unidentified growth projects and acquisitions following consummation of the transaction is likely and can reasonably be expected to achieve the projected returns; and (iv) the transaction will not alter management s distribution expectations.

On July 21, 2010, the Holdings Conflicts Committee held a telephonic special meeting with Mr. O Leary of Andrews Kurth in attendance. Mr. O Leary discussed the fiduciary duties of the Holdings Conflicts Committee applicable under Delaware law, Holdings partnership agreement and the limited liability company agreement of Holdings GP. Following that discussion, the Holdings Conflicts Committee and Mr. O Leary discussed each of the candidate financial advisory firms, their breadth of experience, their perceived strengths and weaknesses and their fee proposals. Following that discussion, Mr. O Brien requested that Mr. O Leary contact TudorPickering to discuss their fee proposal. The telephonic meeting of the Holdings Conflicts Committee was resumed later that evening at which time the Holdings Conflicts Committee determined to retain TudorPickering as its financial advisor.

On July 23, 2010, the Inergy Board and the Holdings Board held a joint meeting to declare the third quarter of fiscal 2010 distribution and to provide an update on activities related to the proposed restructuring.

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On July 26, 2010, a telephonic due diligence meeting was held with representatives of TudorPickering, Andrews Kurth, and members of Inergy management, including Messrs. John Sherman, Brooks Sherman, Melton, Blackford, Atterbury, Campbell and Ms. Ozenberger. Mr. John Sherman gave a brief overview of the rationale for the transaction from management s point of view, including that the increasing percentage of cash flow taken up by the IDRs made potential acquisition transactions where Inergy LP units are used as a currency more difficult; a simplification transaction would increase the flexibility of the combined company; and a simplification transaction would avoid potential negative effects of proposed carried interest legislation. Management stated that the concept of a PIK feature to support future distributions was management s attempt to enhance the near-term pro forma distribution coverage with respect to the Inergy LP units on a going-forward basis. Management discussed the internal forecast that had previously been provided to the Holdings Conflicts Committee and TudorPickering, material events since Inergy s last quarterly report, various proposed expansion projects, and expected acquisition priorities in the propane and storage businesses.

Later on July 26, 2010, the Holdings Conflicts Committee held a telephonic special meeting with representatives of TudorPickering and Andrews Kurth in attendance. TudorPickering provided an update of its due diligence efforts as well as the process, methodology and status of its preliminary financial analysis of the impact of the proposed transaction, including the impact of the proposed PIK feature. Mr. O Brien provided a brief summary of his conversation with Mr. John Sherman, where Mr. John Sherman had indicated that management would be supportive of a form of PIK security to avoid borrowings that were otherwise expected to be necessary to fully fund Inergy s quarterly distribution payments during the initial period after the merger.

Also on July 26, 2010, Vinson & Elkins distributed an initial draft of the original merger agreement and a summary of certain provisions to each of the Holdings Conflicts Committee and the Inergy Special Committee, as well as their respective independent legal advisors.

At various times from July 26 to August 7, 2010, representatives of Husch Blackwell, Andrews Kurth, Vinson & Elkins and members of management and in-house counsel held telephone conference calls respecting due diligence matters, including tax issues, and other matters addressed in the various drafts of the original merger agreement and ancillary documents.

On July 27, 2010, a telephonic due diligence meeting was held with representatives of TudorPickering and members of Inergy management. TudorPickering asked management to clarify certain assumptions and data included in the financial forecasts provided by senior management and requested additional data with regards to historical acquisitions and growth capital expenditures.

During the afternoon of July 28, 2010, Vinson & Elkins on behalf of Inergy and Holdings, Husch Blackwell on behalf of the Inergy Special Committee, Andrews Kurth on behalf of the Holdings Conflicts Committee, and Ms. Ozenberger conducted a conference call to discuss anticipated timing of the simplification transaction as well as document drafting timing and issues in the event the transaction were to proceed.

On July 28, 2010, the Holdings Conflicts Committee held a telephonic special meeting with representatives of TudorPickering and Andrews Kurth in attendance to discuss and analyze the Inergy July 20 Draft of Indicative Terms. Mr. O Brien noted that it was his understanding that management had indicated its willingness to accept PIK securities in lieu of distributions on a portion of the Inergy LP units they would receive in the merger. Representatives of TudorPickering reviewed and discussed their preliminary financial analysis and valuation with respect to Holdings, Inergy and the terms of the proposed transaction, including an analysis of the proposed 5% premium. Based on its preliminary financial analysis, TudorPickering outlined the expected benefits of the proposed transaction to Holdings and its unaffiliated unitholders, presenting several capital spending scenarios. TudorPickering stated that under all capital spending scenarios, the proposed transaction would be dilutive to current Inergy unitholders but accretive to Holdings unitholders. Mr. O Brien requested further analysis from TudorPickering, with a focus on the PIK proposal submitted by the Inergy Special Committee and the PIK structure TudorPickering understood management would be willing to consider. The Holdings Conflicts

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Committee discussed whether the issuance of PIK securities in lieu of distributions should be calculated using a fixed or floating price and the length of the vesting period of such PIK securities, and the time periods after which all or a portion of the PIK securities should vest. Mr. O Brien requested that TudorPickering provide further analysis of alternate PIK scenarios.

On July 29, 2010, the Holdings Conflicts Committee held a telephonic special meeting with representatives of TudorPickering and Andrews Kurth in attendance. TudorPickering presented an updated preliminary financial analysis and valuation of the proposed transaction, including a historic presentation of the respective trading values of each of Holdings and Inergy units and the resulting historical exchange ratios, a discounted cash flow sensitivity analysis, a contribution analysis, and a summary of recent precedent MLP PIK securities issuances. TudorPickering stated that current trading prices showed the market had growth expectations higher than those implied by management s capital spending scenarios. TudorPickering then summarized the anticipated financial impact on Inergy s cash distributions of the PIK feature on the terms as indicated by management. The Holdings Conflicts Committee proposed to develop a counter proposal to the Inergy July 20 Draft of Indicative Terms.

The Holdings Conflicts Committee then discussed and evaluated various counter proposals for the PIK feature and agreed to contact management to schedule a diligence session to better assess management s internal forecast and capital expenditure scenarios and the assumptions and expectations relied on therein.

Later that day on July 29, 2010, the Holdings Conflicts Committee participated in a conference call with Mr. Atterbury and representatives of Andrews Kurth and TudorPickering in attendance. The purpose of the conference call was for the Holdings Conflicts Committee to discuss and examine the assumptions, outlook and expectations used in management s base case forecast and various capital expenditure scenarios. The Holdings Conflicts Committee discussed with Mr. Atterbury the difference in management s growth expectations versus the current market outlook of various Wall Street analysts. The Holdings Conflicts Committee also discussed with Mr. Atterbury management s expected growth scenarios and capital expenditure assumptions used in the base case forecast compared to Inergy s historical growth rate. Management also indicated that it had assumed a lower future growth rate than Inergy s historical growth rate to account for a more competitive acquisition market. Following this discussion, Mr. O Brien informally outlined the terms of a contemplated counter proposal which the Holdings Conflicts Committee intended to submit to the Inergy Special Committee, including the 0.800 exchange ratio which represented a premium of 12.6% to the exchange ratio implied by the relative closing prices of Holdings common units and Inergy LP units on July 28, 2010 and the terms of the Holdings Conflicts Committee s PIK proposal. Mr. Atterbury noted that based upon this brief summary and his understanding of the PIK terms proposed by management, there was a discrepancy between the PIK terms management was willing to accept and the Holdings Conflicts Committee s current proposal, in particular, the proposed 2-year vesting period for all PIK securities issued in lieu of cash distributions and the fact that 50% of the Inergy LP units (and not 40% as proposed by management) to be received by certain members of management would be issued as PIK securities.

Later that day on July 29, 2010, Mr. O Brien contacted Mr. Taylor to indicate that the Holdings Conflicts Committee would submit the Holdings counter proposal and to discuss the terms thereof and the next steps in the negotiation process.

Late afternoon on July 29, 2010, the Holdings Conflicts Committee held another telephonic special meeting with representatives of TudorPickering and Andrews Kurth in attendance. Mr. O Brien provided an overview of his communications with Mr. Taylor. After contemplating the discussion with management regarding its base case projections, the information and analyses presented to the Holdings Conflicts Committee by TudorPickering and confirmation of the terms of the Holdings counter proposal (the Holdings July 29 Revised Draft of Indicative Terms), Mr. O Brien directed Andrews Kurth to distribute the Holdings July 29 Revised Draft of Indicative Terms to the Inergy Special Committee, including (i) a proposed 0.800 exchange ratio, (ii) that the special interests to be issued to IPCH and Inergy Partners in exchange for their interests in Inergy would have no voting rights, (iii) other minor clarifying changes, and (iv) a revised PIK proposal. Under the revised PIK

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proposal, Inergy would issue, in lieu of 50% of the Inergy LP units issuable in the merger to certain members of Holdings senior management, a special class of unregistered securities (the PIK units) that would automatically convert on a one-for-one basis into Inergy LP units after the quarterly cash distribution was paid on Inergy LP units during the last quarter of the eight-quarter period following the consummation of the transaction. As proposed, the PIK units would have the same voting rights as the Inergy LP units but would not be entitled to cash distributions during the eight-quarter period. In lieu of cash distributions, commencing with the first quarterly distribution payable after the closing of the transaction, each holder of a PIK unit would receive each quarter an amount of additional PIK units determined by the amount of the cash distribution paid on one Inergy LP unit with respect to such quarter divided by the greater of (i) the volume weighted average sales price of the Inergy LP units during the 20-trading day period ending on the third trading day prior to announcement of the transaction and (ii) the volume weighted average sales price of the Inergy LP units during the 20-trading day period ending on the third trading day prior to each future ex-dividend date. The Holdings July 29 Revised Draft of Indicative Terms also indicated that the terms proposed by the Holdings Conflicts Committee were intended to be considered in their entirety, and that any changes to individual components of the Holdings July 29 Revised Draft of Indicative Terms would necessitate corresponding changes to other components.

Between July 29, 2010 and August 1, 2010, TudorPickering, on behalf of the Holdings Conflicts Committee, engaged in discussions with management and the Inergy Special Committee s financial advisor to clarify the Holdings July 29 Revised Draft of Indicative Terms.

On July 31, 2010, Vinson & Elkins distributed an initial draft of the support agreement to each of the Holdings Conflicts Committee and the Inergy Special Committee, as well as their respective independent legal advisors.

On August 1, 2010, Mr. Taylor, on behalf of the Inergy Special Committee, distributed to the Holdings Conflicts Committee, Andrews Kurth, TudorPickering and Holdings, a counter proposal dated August 1, 2010 to the Holdings July 29 Revised Draft of Indicative Terms (the Inergy August 1 Revised Draft of Indicative Terms). The Inergy August 1 Revised Draft of Indicative Terms proposed an exchange ratio of 0.750 Inergy LP units for each Holdings common unit (instead of the 0.800 exchange ratio proposed in the Holdings July 29 Revised Draft of Indicative Terms), and left the terms of the PIK proposal as To be Determined.

In its cover letter, the Inergy Special Committee indicated that it was prepared to move forward with discussions regarding the proposed transaction, subject to the following conditions: (i) the parties ability to rely on the transaction structuring analysis prepared by Vinson & Elkins; (ii) the inclusion of a PIK feature either as proposed by the Holdings Conflicts Committee in the Holdings July 29 Revised Draft of Indicative Terms or as prepared by management and presented to the Inergy Special Committee on July 29, 2010; (iii) that the transaction would not alter management s distribution expectations; and (iv) the confirmation by management to the Inergy Board of management s forecast and assessment of the $375 million of wedge capital per year as a likely and reasonable scenario and the impact such scenario would have on Inergy s distributable cash flow.

On August 2, 2010, the Holdings Conflicts Committee held a telephonic special meeting with representatives of TudorPickering and Andrews Kurth in attendance to discuss the Inergy August 1 Revised Draft of Indicative Terms. After discussions of the proposed terms and analysis from TudorPickering, Mr. O Brien indicated that he would be willing to negotiate the vesting schedule and the percentage of PIK securities received by management, but that the price used in determining the quarterly distributions of additional PIK securities should be determined as set forth in the Holdings July 29 Revised Draft of Indicative Terms to ensure that there was no possible scenario that would allow management to receive PIK securities in lieu of cash distributions representing a greater value than cash distributions received by other unitholders. The Holdings Conflicts Committee decided it was the best course of action for Mr. O Brien to talk directly to Mr. Sherman to negotiate the terms of the PIK structure. TudorPickering then discussed the proposed exchange ratio of 0.750. Mr. O Brien asked TudorPickering to provide further analysis with respect to the exchange ratio, using the 20-day volume weighed average trading price (VWAP) and the 18-day VWAP. According to TudorPickering s analysis, the

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0.750 exchange ratio proposed by the Inergy Special Committee would result in an approximate 7% premium, based on the 19-day VWAP ended on August 2, 2010, which was not a significant increase compared with the 5% premium included in the Inergy July 20 Draft of Indicative Terms, which would result in an exchange ratio of 0.735 based on the 19-day VWAP ended on August 2, 2010.

Later that day on August 2, 2010, the Holdings Conflicts Committee held a second telephonic special meeting with representatives of TudorPickering and Andrews Kurth in attendance to develop a counter proposal to the Inergy August 1 Revised Draft of Indicative Terms. TudorPickering stated that a 0.780 exchange ratio would represent an approximate 10% premium to the exchange ratio implied by the relative closing prices of Holdings common units and Inergy LP units on July 30, 2010. Mr. O Brien reported his conversation with Mr. Sherman regarding the PIK feature, who had indicated that while management would be willing to accept a conversion price based on the greater of a fixed or floating price based on a 20-day VWAP (as described in the Holdings August 2 Revised Draft of Indicative Terms below), management desired to limit the PIK units to 40% of the Inergy LP units management would receive in the transaction.

After discussion, the Holdings Conflicts Committee indicated it would propose the following terms related to PIK structure: Inergy would issue, in lieu of 40% of the Inergy LP units issuable in the transaction to certain members of Holdings senior management, PIK units that would automatically convert on a one-for-one basis into Inergy LP units as follows: (i) 50% after the quarterly cash distribution was paid on Inergy LP units during the last quarter of the four-quarter period following the closing of the transaction (the Initial Period); and (ii) 50% after the quarterly cash distribution was paid on Inergy LP units during the last quarter of the eight-quarter period following the closing of the transaction (the Final Period). Additional PIK units (defined below) received during the Initial Period would convert simultaneously with the first tranche of PIK units to convert, and the Additional PIK units received during the Final Period would convert at the end of the Final Period. As proposed, the PIK units would have the same voting rights as Inergy LP units but would not be entitled to cash distributions prior to conversion. In lieu of cash distributions, each holder of a PIK unit would receive each quarter an amount of additional PIK units (the Additional PIK units) determined by the amount of the cash distribution paid on one Inergy LP unit with respect to such quarter divided by greater of (i) the volume weighted average sales price of the Inergy LP units during the 20-trading day period ending on the third trading day prior to announcement of the transaction and (ii) the volume weighted average sales price of the Inergy LP units during the 20-trading day period ending on the third trading day prior to each future ex-dividend date.

Further, if the transaction closed on or prior to the record date (the Record Date) for the distribution payable with respect to the fourth quarter of fiscal 2010, then the holders of PIK units would be entitled to Additional PIK units commencing with the distribution date (in February 2011) of the distribution payable with respect to the fourth quarter of fiscal 2010. If the transaction closed after the Record Date, then the holders of PIK units would receive Additional PIK units commencing with the distribution payment date (in May 2011) of the distribution with respect to the first quarter of fiscal 2011.

The Holdings Conflicts Committee then further discussed the 0.750 exchange ratio proposed by the Inergy Special Committee. After further discussions and evaluation of TudorPickering s exchange ratio analysis reflecting current VWAP as well as historical premiums, the Holdings Conflicts Committee determined to propose an exchange ratio of 0.780. Mr. O Brien then directed Andrews Kurth to prepare a revised term sheet to be submitted to the Inergy Special Committee to convey the Holdings Conflicts Committee s counter proposal, including the proposed exchange ratio of 0.780 and the revised PIK proposal outlined above (the Holdings August 2 Revised Draft of Indicative Terms). Late evening on August 2, 2010, Mr. Guay, on behalf of the Holdings Conflicts Committee, sent the Holdings August 2 Revised Draft of Indicative Terms to the Inergy Special Committee and its counsel and financial advisor.

On August 2, 2010, Vinson & Elkins, Andrews Kurth and Husch Blackwell conducted a telephonic conference call with Ms. Ozenberger to discuss the anticipated timing of the simplification transaction as well as document drafting timing and issues.

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Later that day on August 2, 2010, Vinson & Elkins, Andrews Kurth, Husch Blackwell and Baird conducted a telephonic conference call with Mr. Brooks Sherman and Ms. Ozenberger to discuss the various tax implications of the proposed transaction.

During the evening of August 2, 2010, Messrs. O Brien and Sherman discussed the terms of the Holdings August 2 Revised Draft of Indicative Terms. Mr. Sherman indicated his understanding that management was willing to accept the terms of the PIK structure as proposed in the Holdings August 2 Revised Draft of Indicative Terms. Mr. Sherman also indicated that management would be amenable to a 0.770 exchange ratio.

Following the Inergy Special Committee s receipt of the Holdings August 2 Revised Draft of Indicative Terms, during the evening of August 2, 2010, Messrs. Taylor and O Brien engaged in a telephone conversation regarding the exchange ratio. During this conversation, Mr. Taylor proposed an exchange ratio of 0.765.

On August 3, 2010, the Holdings Conflicts Committee held a telephonic special meeting with representatives of TudorPickering and Andrews Kurth in attendance. Mr. O Brien reported that the Inergy Special Committee had indicated that it could accept all of the terms of the Holdings August 2 Revised Draft of Indicative Terms, other than the 0.780 exchange ratio. Mr. O Brien asked that TudorPickering present its preliminary financial analysis taking into account possible exchange ratios of 0.765 and 0.770, respectively. TudorPickering presented its preliminary analysis of the impact of each of the possible exchange ratios on distributable cash flow and dilution, noting that dilution would be impacted by the 0.770 exchange ratio by only 0.3%. The Holdings Conflicts Committee also considered other factors related to the proposed transaction, including the risk of non-consummation resulting from further delays and increasing volatility in the financial markets.

On August 3, 2010, counsel for each of the Holdings Conflicts Committee and Inergy Special Committee engaged in discussions with Ms. Ozenberger with regard to the proposed transaction.

Later that day on August 3, 2010, Mr. O Brien engaged in further discussions with Mr. Taylor regarding the exchange ratio. Mr. O Brien suggested that a 0.770 exchange ratio would be acceptable to the Holdings Conflicts Committee, to which Mr. Taylor agreed as an exchange ratio acceptable to the Inergy Special Committee.

In the evening of August 3, 2010, Husch Blackwell, on behalf of the Inergy Special Committee, distributed to the Holdings Conflicts Committee, Andrews Kurth, TudorPickering and Holdings, a counter proposal dated August 3, 2010 (the Inergy August 3 Revised Draft of Indicative Terms) reflecting the agreed upon exchange ratio of 0.770 Inergy LP units for each Holdings common unit and accepting the terms of the PIK structure as proposed by the Holdings August 2 Revised Draft of Indicative Terms.

From August 4 to August 7, 2010, Andrews Kurth, TudorPickering and Vinson & Elkins continued to revise the original merger agreement, including revisions to the structure steps of the proposed transaction.

On August 4, 2010, Husch Blackwell, on behalf of the Inergy Special Committee, distributed a revised draft of the original merger agreement and support agreement to Andrews Kurth. Later that day, Husch Blackwell, Vinson & Elkins and Andrews Kurth engaged in discussions regarding the draft agreements. Also on August 4, 2010, Husch Blackwell, Vinson & Elkins and Andrews Kurth engaged in discussions regarding their respective analysis as to the applicability of the Hart-Scott-Rodino Act to the proposed transaction.

On August 5, 2010, the Holdings Conflicts Committee held a telephonic special meeting with representatives of TudorPickering and Andrews Kurth in attendance to discuss the draft of the original merger agreement and support agreement received from the Inergy Special Committee. Mr. O Leary summarized the key provisions of both agreements, and highlighted the proposed termination fee of $59 million and the no-shop provision prohibiting Holdings from soliciting alternative acquisition proposals after signing a definitive merger agreement. Mr. O Leary also discussed the proposed recommendation provisions and their consequences and the right to consider and provide information in connection with solicited and unsolicited proposals. After discussions with TudorPickering and Andrews Kurth, Mr. O Brien instructed Andrews Kurth to negotiate these

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terms further with the Holdings Conflicts Committee s proposal as follows: (i) Holdings should have the ability to solicit alternative acquisition proposals for a period of 60 days after the proxy statement is filed, and, (ii) if the Holdings Board were to change its recommendation, no termination fee, but expenses capped at $6 million, would be payable. The Holdings Conflicts Committee also decided to seek the input of Holdings management in the negotiations of the deal protection terms of the original merger agreement. Mr. O Brien then scheduled a special meeting of the Holdings Conflicts Committee for the afternoon of August 7, 2010 to further review and discuss the terms and final documentation of the proposed transaction.

On August 5, 2010, Mr. O Leary of Andrews Kurth engaged in discussion with Ms. Ozenberger regarding the proposed termination fee and deal protection provisions contained in the draft of the original merger agreement. Management indicated that they were very concerned about the size of the proposed $59 million termination fee and its potential impact on the financial condition of Holdings and Inergy, stating a preference for a termination fee in the range of 1% or less of the transaction value. Later that day, Andrews Kurth and TudorPickering discussed possible counter proposals to the termination fee and deal protection provisions based on precedent transactions.

During the afternoon of August 5, 2010, Vinson & Elkins, Andrews Kurth and Husch Blackwell conducted a telephonic conference call with Ms. Ozenberger to discuss the anticipated timing of the simplification transaction as well as document drafting timing and issues.

Later that day on August 5, 2010, management distributed to Husch Blackwell a revised draft of the support agreement incorporating management s proposed changes.

On August 6, 2010, Andrews Kurth distributed to the Inergy Special Committee, Husch Blackwell, Vinson & Elkins and management, comments to the draft of the original merger agreement with changes relating to, among other things, the deal protection provisions, including (i) a proposed termination fee of $12 million, which represented approximately 0.75% of the overall transaction value, (ii) the ability by Holdings to solicit an alternative acquisition proposal for a period of 60 days after the proxy statement is first filed (60-day window shop), (iii) termination events, and (iv) reimbursement of expenses.

On August 6, 2010, representatives of Baird, TudorPickering and Andrews Kurth participated in a conference call with certain members of senior management, including Messrs. Brooks Sherman, Atterbury, Campbell and Ms. Ozenberger. On the call, senior management affirmed that since the date of its respective diligence sessions with Baird and TudorPickering, there had been no material changes in the operations or performance of Inergy, no material acquisitions, divestitures or growth projects, other than those previously disclosed, and no new or threatened legal, environmental or other contingent liabilities or circumstances that could reasonably be expected to have a material impact on the financial forecasts provided to the Inergy Special Committee and the Holdings Conflicts Committee.

Later on August 6, 2010, Husch Blackwell distributed a revised draft of the support agreement to Andrews Kurth, Vinson & Elkins, Holdings, Inergy, the Holdings Conflicts Committee and the Inergy Special Committee reflecting changes proposed by management. Husch Blackwell confirmed that the support agreement was intended to apply to all of the Holdings common units held by the parties thereto, and not just the number of Holdings common units owned at the time of the Holdings IPO.

Later on August 6, 2010, Ms. Ozenberger confirmed with the financial advisors of each of the Holdings Conflicts Committee and the Inergy Special Committee that the 40% basket of PIK securities would be tied to the number of Holdings common units each member of management held as of the date of the Holdings IPO.

Throughout August 6 and August 7, representatives of each of Vinson & Elkins, Andrews Kurth and Husch Blackwell and Ms. Ozenberger conducted telephone conferences for the purpose of discussing the status of the transaction documents and for issues updates.

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Also, on August 6, 2010, representatives from Andrews Kurth, Vinson & Elkins and Husch Blackwell discussed by telephone the potential tax treatment of the assumption by Inergy of the debt outstanding under Holdings credit agreement.

Later on August 6, 2010, consistent with its understanding of the committees wishes with respect to such matters, Vinson & Elkins drafted and distributed provisions to the original merger agreement related to the treatment of outstanding equity awards. Subsequently, Vinson & Elkins also distributed an initial draft of the amended and restated partnership agreement to be adopted in connection with the proposed transaction to the Inergy Special Committee, the Holdings Conflicts Committee, Husch Blackwell, Andrews Kurth and management.

During a telephone conference call late evening on August 6, 2010, among Holdings management, Vinson & Elkins, Andrews Kurth and Husch Blackwell, Husch Blackwell, on behalf of the Inergy Special Committee, orally delivered the Inergy Special Committee s counter proposal to the deal protection terms as proposed in the August 6, 2010 draft of the original merger agreement transmitted by Andrews Kurth. Husch Blackwell stated that if the parties were to agree to a window shop period, the termination fee would have to be at least 2% of the transaction value. If the parties were to agree that there would not be any window shop period, then the Inergy Special Committee would be willing to consider a lower termination fee, however, the $12 million proposed by the Holdings Conflicts Committee and contained in the August 6 draft of the original merger agreement would be inadequately low.

Late on the evening of August 6, 2010 through the afternoon of August 7, 2010, Andrews Kurth provided comments to the draft amended and restated partnership agreement and draft of the original merger agreement to Vinson & Elkins and Husch Blackwell and continued to discuss and negotiate the termination fee and deal protection provisions.

In the early afternoon of August 7, 2010, Andrews Kurth, on behalf of the Holdings Conflicts Committee, contacted Husch Blackwell by telephone to orally deliver the Holdings Conflicts Committee s revised proposal with respect to the deal protection provisions. After stating that transactions such as the proposed simplification transaction should not require a termination fee and pointing to recent precedent such as the Magellan Midstream Partners and Hiland simplification transactions as well as the Enterprise Products Partners/TEPPCO merger, Andrews Kurth, on behalf of the Holdings Conflicts Committee, proposed a 60-day window shop period and a termination fee of $15 million. Husch Blackwell indicated it would inform the Inergy Special Committee of the proposed terms for its consideration.

Later that afternoon on August 7, 2010, Ms. Ozenberger held a telephonic meeting with Vinson & Elkins, Husch Blackwell and Andrews Kurth to discuss remaining open issues in the original merger agreement, support agreement and the amended and restated partnership agreement (other than deal protection provisions).

On August 7, 2010, Baird and TudorPickering discussed the termination fee and deal protection provisions.

On August 7, 2010, consistent with its understanding of the committees wishes with respect to such matters, Vinson & Elkins distributed revised drafts of the original merger agreement, support agreement and amended and restated partnership agreement, which such drafts were submitted to the Holdings Conflicts Committee and Inergy Special Committee for their review and approval, subject to agreement on final terms, in particular the deal protection terms.

On August 7, 2010, the Holdings Conflicts Committee held a telephonic special meeting with representatives of TudorPickering and Andrews Kurth in attendance to review, discuss and evaluate the original merger agreement and to approve the proposed transaction. Prior to the meeting, the Holdings Conflicts Committee was provided drafts of the original merger agreement, support agreement, the amended and restated partnership agreement as well as a summary of the key provisions of the original merger agreement. Mr. O Leary outlined the remaining open issues related to the termination fee and no shop provisions. At the request of Mr. O Brien, Mr. Sherman joined the meeting to report that the Inergy Board, at the recommendation of the

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Inergy Special Committee, had indicated that it was willing to accept deal protection terms in the form of a 60-day window shop period and a $20 million termination fee. Mr. Sherman stated that management was supportive of such terms. After Mr. Sherman left the meeting, with the assistance of representatives of TudorPickering and Andrews Kurth, the Holdings Conflicts Committee determined to accept the proposed terms in light of the overall transaction. Mr. O Leary then highlighted the following legal considerations: (i) that Hart-Scott-Rodino Act would not apply to the proposed transaction; (ii) the disclosure required for the transaction in the proxy statement and the expected SEC review process; (iii) that the proposed transaction would result in a tax termination of Inergy, but that the tax effect on Inergy unitholders was not expected to be material; and (iv) that the assumption of Holdings debt by Inergy could cause a tax gain to Holdings, but that the cost to Holdings unitholders was not expected to be material.

Mr. O Brien then asked TudorPickering to provide its financial analysis of the proposed transaction as contemplated by the original merger agreement. TudorPickering outlined its financial analysis, including the financial benefits and reasons for entering into the proposed transaction. TudorPickering then discussed the relative valuation implied by the proposed transaction and the pro forma impact of the proposed transaction to Holdings unitholders. TudorPickering then discussed the PIK structure s benefits to the Inergy unitholders and implications to management.

Following its financial analysis of the proposed transaction, TudorPickering delivered to the Holdings Conflicts Committee its oral opinion (which was subsequently confirmed in writing) that, as of August 7, 2010, and based upon and subject to the factors and assumptions set forth in the opinion, the consideration to be paid to the unaffiliated Holdings unitholders pursuant to the merger agreement, was fair, from a financial point of view, to the unaffiliated Holdings unitholders.

After considering the benefits of the proposed transaction as well as the associated risks, and after consideration of other relevant factors including the TudorPickering fairness opinion, the Holdings Conflicts Committee (i) approved and declared advisable the original merger agreement and the related agreements, (ii) resolved that the original merger agreement, the related agreements and the transactions contemplated thereby were fair and reasonable to, and in the best interests of, Holdings and the unaffiliated Holdings unitholders, (iii) recommended the approval of the original merger agreement and the transactions contemplated thereby by the Holdings Board, and (iv) resolved that such approval by the Holdings Conflicts Committee constituted Special Approval (as defined in Holding s existing partnership agreement).

On August 7, 2010, the Holdings Board (with Mr. John Sherman not in attendance) held a meeting with representatives of the Holdings Conflicts Committee, TudorPickering and Andrews Kurth in attendance. The purpose of the meeting was for the Holdings Board to consider the approval and recommendation of the original merger agreement and the transactions contemplated thereby. Prior to the meeting, the Holdings Board was provided drafts of the original merger agreement and support agreement as well as material to assist the Holdings Board in evaluating the proposed transactions. Mr. O Brien discussed the process and selection of Andrews Kurth and TudorPickering as advisors to the Holdings Conflicts Committee. Mr. O Brien also discussed the negotiation process with the Inergy Special Committee and the due diligence performed by the Holdings Conflicts Committee, TudorPickering and Andrews Kurth. Mr. O Leary noted that TudorPickering served as independent financial advisor and Andrews Kurth as counsel to the Holdings Conflicts Committee and not the Holdings Board. TudorPickering then responded to questions from the Holdings Board with respect to its financial analyses and opinion to the Holdings Conflicts Committee. Mr. O Brien and Mr. O Leary then outlined the terms of the proposed transaction and responded to questions regarding the original merger agreement, the support agreement and the amended and restated partnership agreement. The Holdings Board then asked Mr. O Brien questions relating to the premium received by Holdings unitholders compared to similar transactions; the market perception of the transaction; the reasons the proposed transaction is beneficial to the unaffiliated Holdings unitholders; the purpose of the PIK securities being distributed to certain members of management; and the proposed terms of the PIK securities. After responding to these topics and discussing them further, the Holdings Conflicts Committee recommended that the Holdings Board approve the original merger agreement and transactions contemplated thereby.

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After further deliberation and questions, the Holdings Board unanimously (not including Mr. John Sherman, who recused himself) (i) determined that the merger, the original merger agreement and the transactions contemplated thereby are fair and reasonable to, and in the best interests of, Holdings and the unaffiliated Holdings unitholders, (ii) approved and declared the advisability of the merger, the original merger agreement and the transactions contemplated thereby and (iii) resolved to recommend the approval and adoption of the merger, the original merger agreement and the transactions contemplated thereby by the Holdings unitholders.

During the evening of August 7, 2010, Holdings GP, Holdings, Inergy GP, Inergy, New NRGP LP and MergerCo executed the original merger agreement, and the Holdings Supporting Unitholders executed the support agreement.

On August 9, 2010, Inergy and Holdings issued a joint press release announcing the proposed merger.

On August 28, 2010, Vinson & Elkins recommended a few additions to the transaction steps associated with the proposed simplification transaction in order to confirm and eliminate uncertainty regarding the tax treatment of certain aspects of the transactions. Vinson & Elkins recommended that the parties amend the original merger agreement in order to permit these additional transaction steps to occur. Vinson & Elkins distributed a revised structure memorandum, a draft of the First Amended and Restated Agreement and Plan of Merger (the restated merger agreement) and a draft of Amendment No. 1 to the existing partnership agreement of Holdings.

On September 2, 2010, the Holdings Conflicts Committee met telephonically, with representatives of Andrews Kurth in attendance, to review and consider the restated merger agreement and revisions to certain related agreements, which such amendments confirm and eliminate uncertainty regarding the tax treatment of certain aspects of the transaction. Prior to the meeting, the Holdings Conflicts Committee was provided drafts of the restated merger agreement and certain related agreements. Representatives of Andrews Kurth reviewed the proposed revisions to the transaction documents. After considering the proposed revisions, the Holdings Conflicts Committee (i) approved and declared advisable the restated merger agreement and the transactions contemplated thereby, (ii) resolved that the restated merger agreement and the transactions contemplated thereby were fair and reasonable to, and in the best interests of, Holdings and the unaffiliated Holdings unitholders, (iii) recommended the approval of the restated merger agreement and the transactions contemplated thereby by the Holdings Board, and (iv) resolved that such approval by the Holdings Conflicts Committee constituted Special Approval (as defined in Holding s existing partnership agreement).

On September 2, 2010, the Holdings Board met telephonically and unanimously (not including Mr. John Sherman who recused himself) (i) determined that the restated merger agreement and the transactions contemplated thereby are fair and reasonable to, and in the best interests of, Holdings and the unaffiliated Holdings unitholders, (ii) approved and declared advisable the restated merger agreement and the transactions contemplated thereby and (iii) recommended the approval and adoption of the restated merger agreement and the transactions contemplated thereby by the Holdings unitholders.

On September 3, 2010, Inergy, Inergy GP, Holdings, Holdings GP and the other parties thereto executed the restated merger agreement.

Between September 15, 2010 and September 22, 2010, senior management provided updated projections and other financial information to TudorPickering.

On September 16, 2010, a telephonic due diligence meeting was held with representatives of TudorPickering and members of Inergy management. Management provided an overview of the proposed Tres Palacios acquisition, including its terms and the expected growth and future capital expenditures for, and business opportunities of, Tres Palacios and the related assets. At the request of TudorPickering, Inergy management discussed potential regulatory and environmental issues, as well as operational matters. At the request of TudorPickering, Inergy management then discussed its assumptions and the data included in the financial projections for Inergy provided by management, taking into account the pro forma effects of the Tres Palacios acquisition.

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On September 22, 2010, representatives of TudorPickering participated in a conference call with certain members of senior management, including Mr. Brooks Sherman and Ms. Ozenberger. On the call, senior management affirmed that since the filing of its prospectus supplement on September 8, 2010 in connection with the public offering of Inergy LP units, there had been no material changes in the operations or performance of Inergy, no material acquisitions, divestitures or growth projects, other than those previously disclosed, and no new or threatened legal, environmental or other contingent liabilities or circumstances that could reasonably be expected to have a material impact on the financial projections provided to TudorPickering.

On September 22, 2010, the Holdings Conflicts Committee held a telephonic special meeting with representatives of TudorPickering and Andrews Kurth in attendance. Mr. O Brien asked TudorPickering to provide its financial analysis of the proposed merger transaction as contemplated by the restated merger agreement after taking into account the pending Tres Palacios acquisition and the related financing transactions. TudorPickering outlined the terms of the proposed merger transaction and provided an overview of the Tres Palacios acquisition and Inergy s expected expansion and capital expenditure projects and their anticipated effects on future cash flows based on TudorPickering s due diligence meetings with Inergy s management. TudorPickering emphasized that the Tres Palacios acquisition agreement requires Holdings to rebate, in perpetuity to Inergy, $7.5 million of the cash distributions received if the proposed merger transaction is not consummated. Taking into account, on a pro forma basis, the effects of the Tres Palacios acquisition, the related issuances of Inergy LP units and the 2018 notes in September 2010, and updated financial and operational information for the quarter ended June 30, 2010, TudorPickering discussed changes to TudorPickering s financial assumptions and forecasts from those contained in the August 7, 2010 presentation to the Holdings Conflicts Committee, and the relative valuation implied by the proposed merger transaction. TudorPickering stated that the number of publicly traded general partners of publicly traded limited partnerships would be further reduced by the recent announcements of the Enterprise Products Partners and PennVirginia simplification transactions, noting the comparatively low premiums proposed in such transactions. Further, TudorPickering discussed the pro forma impact of the proposed merger transaction and the Tres Palacios transaction on Holdings unitholders and the benefits of the PIK structure to all future Inergy unitholders, as well as changes to the analysis previously presented to the Holdings Conflicts Committee on August 7, 2010 made as a result of the Tres Palacios acquisition and the related financing transactions. TudorPickering noted that, taking into account the Tres Palacios transaction, the proposed merger transaction continues to be accretive to Holdings unitholders. TudorPickering also presented to the Holdings Conflicts Committee a summary of recently published analysts views of the proposed merger transaction and the Tres Palacios acquisition, respectively. TudorPickering also provided an updated analysis of relative historical trading values of each of Inergy and Holdings as compared to the 0.77 exchange ratio.

Following the presentation of the financial analysis of the proposed merger transaction, taking into account the pro forma effect of the Tres Palacios acquisition, and after further discussion with the Holdings Conflicts Committee, TudorPickering delivered to the Holdings Conflicts Committee its oral opinion (which was subsequently confirmed in writing) that, as of September 22, 2010, and based upon and subject to the factors and assumptions set forth in the opinion, the consideration to be paid to the unaffiliated Holdings unitholders pursuant to the restated merger agreement, was fair, from a financial point of view, to the unaffiliated Holdings unitholders.

After considering the benefits and associated risks of the proposed merger transaction, taking into account on a pro forma basis the effects of the Tres Palacios acquisition and the related financing transactions, and TudorPickering s August 7 and September 22 opinions, the Holdings Conflicts Committee determined not to withdraw its approval and recommendation of the proposed merger and related transactions to the Holdings Board, which it had previously given to the Holdings Board on August 7, 2010.

On September 24, 2010, the Holdings Board (with Mr. John Sherman not in attendance) held a telephonic special meeting with Ms. Ozenberger and representatives of the Holdings Conflicts Committee, TudorPickering and Andrews Kurth in attendance. The purpose of the meeting was to discuss TudorPickering s fairness opinion, dated September 22, 2010, that was delivered to the Holdings Conflicts Committee and to discuss and approve

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the timeline and other matters related to the proposed merger transaction. Mr. O Brien discussed the Holdings Conflicts Committee s processes and deliberations relating to its consideration of TudorPickering s September 22 opinion. Representatives of TudorPickering answered questions raised by the Holdings Board or prompted by the Holdings Conflicts Committee regarding their analysis. Members of the Holdings Board then asked questions of Mr. O Brien, Ms. Ozenberger and representatives of TudorPickering. Mr. O Brien confirmed that the Holdings Conflicts Committee had determined not to withdraw its approval and recommendation of the proposed merger and related transactions to the Holdings Board, which it had previously given to the Holdings Board on August 7, 2010, and that the Holdings Conflicts Committee continues to recommend that the Holdings Board approve the merger, the restated merger agreement and the transactions contemplated thereby. After further deliberation and questions related to the benefits and associated risks of the proposed merger transaction, and taking into account TudorPickering s August 7 and September 22 opinions and the pending Tres Palacios acquisition and related financing transactions, the Holdings Board unanimously (not including Mr. John Sherman, who recused himself) (i) determined that the merger, the restated merger agreement and the transactions contemplated thereby are fair and reasonable to, and in the bests interests of, Holdings and the unaffiliated Holdings unitholders, (ii) approved and declared advisable the restated merger agreement and the transactions contemplated thereby and (iii) recommended the approval and adoption of the restated merger agreement and the transactions contemplated thereby by the Holdings unitholders.

Recommendation of the Holdings Conflicts Committee and the Holdings Board and Reasons for the Merger

On June 21, 2010, the Holdings Board appointed Mr. O Brien to serve on the Holdings Conflicts Committee. The Holdings Board authorized the Holdings Conflicts Committee to consider the proposed transaction, delegating to the Holdings Conflicts Committee the power and authority to: (i) review, evaluate and, if deemed appropriate, negotiate the terms and conditions of the proposed transaction, (ii) determine the advisability of the proposed transaction or any alternative thereto, on behalf of the unaffiliated Holdings unitholders, and (iii) make a recommendation to the Holdings Board as to what action, if any, should be taken by the Holdings Board with respect to the proposed transaction or any alternatives thereto. The Holdings Conflicts Committee is composed solely of one independent director who is not an officer or employee of Holdings, an officer, director or employee of any affiliate of Holdings or a holder of any ownership interest in Holdings other than Holdings common units, and who also meets the independence and experience standards established by the NYSE and any applicable laws and regulations.

Pursuant to the authority granted by the Holdings Board, the Holdings Conflicts Committee retained Andrews Kurth as its independent legal counsel and TudorPickering as its independent financial advisor. The Holdings Conflicts Committee determined that TudorPickering was independent based on the lack of material business relationships between TudorPickering and Holdings or Inergy or their affiliates. The Holdings Conflicts Committee oversaw the performance of financial and legal due diligence by its advisors, conducted an extensive review and evaluation of Inergy s proposal and conducted negotiations with the Inergy Special Committee and its representatives with respect to the original merger agreement and restated merger agreement and the various other agreements related to the merger.

The Holdings Conflicts Committee, at a meeting held on August 7, 2010, determined that the original merger agreement and the transactions contemplated thereby were fair and reasonable to, and in the best interests of, Holdings and the unaffiliated Holdings unitholders. In addition, at the August 7, 2010 meeting, the Holdings Conflicts Committee approved and declared advisable the original merger agreement and the transactions contemplated thereby, such approval by the Holdings Conflicts Committee constituting Special Approval under the Holdings partnership agreement. Also at the August 7, 2010 meeting, the Holdings Conflicts Committee recommended that the Holdings Board approve the original merger agreement and the transactions contemplated thereby, and recommended that the Holdings Board cause Holdings GP and Holdings to execute and deliver the original merger agreement and consummate the transactions contemplated thereby, and submit the proposal for approval of the original merger agreement and transactions contemplated thereby, to the Holdings unitholders for approval at a special meeting. In reaching its determination, the Holdings Conflicts

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Committee consulted with and received the advice of its independent financial and legal advisors, considered potential alternatives available to Holdings, including the uncertainties and risks facing it, and considered the interests of the unaffiliated Holdings unitholders.

Based in part on the Holdings Conflicts Committee s determination, Special Approval and recommendation, and after further deliberations, on August 7, 2010 the Holdings Board unanimously (with Mr. John Sherman recusing himself) approved the merger, the original merger agreement and the transactions contemplated and recommended that the Holdings unitholders vote in favor of the proposal to approve the merger, the original merger agreement and the transactions contemplated thereby.

The Holdings Conflicts Committee, at a meeting held on September 2, 2010, determined that the restated merger agreement and the transactions contemplated thereby were fair and reasonable to, and in the best interests of, Holdings and the unaffiliated Holdings unitholders. In addition, at the September 2, 2010 meeting, the Holdings Conflicts Committee approved and declared advisable the restated merger agreement and the transactions contemplated thereby, such approval by the Holdings Conflicts Committee constituting Special Approval under the Holdings partnership agreement. Also at the meeting, the Holdings Conflicts Committee recommended that the Holdings Board approve the restated merger agreement and the transactions contemplated thereby, and recommended that the Holdings Board cause Holdings GP and Holdings to execute and deliver the restated merger agreement and consummate the transactions contemplated thereby, and submit the proposal for approval of the restated merger agreement and transactions contemplated thereby, to the Holdings unitholders for approval at a special meeting. In reaching its determination, the Holdings Conflicts Committee consulted with and received the advice of its independent legal advisors and considered the interests of the unaffiliated Holdings unitholders.

Based in part on the Holdings Conflicts Committee s determination, Special Approval and recommendation, and after further deliberations and evaluation of the terms of the restated merger agreement, on September 2, 2010, the Holdings Board unanimously (with Mr. John Sherman recusing himself) approved the merger, the restated merger agreement and the transactions contemplated thereby, and recommended that the Holdings unitholders vote in favor of the proposal to approve the merger, the restated merger agreement and the transactions contemplated thereby.

The Holdings Conflicts Committee, at a meeting held on September 22, 2010, determined not to withdraw is approval and recommendation to the Holdings Board of the proposed merger and related transactions, which it had previously given to the Holdings Board on August 7, 2010 and September 2, 2010.

Based in part on the Holdings Conflicts Committee s determination, and previous Special Approval and recommendation, and after further deliberations and evaluation of the terms of the restated merger after taking into account the pending Tres Palacios acquisition and related financing transactions, on September 24, 2010, the Holdings Board unanimously (with Mr. John Sherman recusing himself) approved the merger, the restated merger agreement and the transactions contemplated thereby, and recommended that the Holdings unitholders vote in favor of the proposal to approve the merger, the restated merger agreement and the transactions contemplated thereby.

The Holdings Conflicts Committee considered a number of factors in determining that the original merger agreement or the restated merger agreement (hereinafter for this section, collectively the merger agreement) and the transactions contemplated thereby, were fair and reasonable to Holdings and the unaffiliated Holdings unitholders and recommending the approval of the merger agreement, and the consummation of the transactions contemplated thereby, to the Holdings Board. The material factors are summarized below.

The Holdings Conflicts Committee viewed the following factors as being generally positive or favorable in coming to its determination and recommendation:

- the Holdings unitholders will hold a public equity stake in Inergy and participate in the expected benefits of the operations of Inergy, including any future unit price appreciation and/or distribution increases;

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after the merger, Inergy will no longer have any incentive distribution rights; and, as a result, Inergy s cost of equity capital will be reduced, which will enhance Inergy s ability to compete in future acquisitions and finance organic growth projects;

a common equity currency for Inergy and Holdings could facilitate future acquisitions and mergers;

the merger is expected to be accretive to the distributable cash flow received by Holdings unitholders;

the merger is expected to result in a long-term increase in the growth rate of Inergy s distributable cash flow per LP unit, thereby improving potential total return due to both valuation and potential distribution growth;

the pro forma increase of approximately 60% in distributions per unit expected to be received by Holdings unitholders in 2011, based on current distribution rates for Inergy and Holdings;

the merger will likely result in a capital structure and governance structure of Inergy that is more easily understood by the investing public;

the merger will attract a broader investor base to a single, larger entity with increased public float and liquidity;

the probability that Inergy and Holdings will be able to consummate the merger, including their ability to obtain any necessary unitholder approvals;

the merger will eliminate potential conflicts of interest that may arise as a result of a person being an officer of both the Inergy GP and Holdings GP and as a result of a person being a member of the board of directors of both the Inergy GP and Holdings GP;

the merger will reduce potential conflicts of interest between the owners of Holdings and Inergy and its unitholders;

the merger will eliminate the duplication of services and resulting costs required to maintain two public limited partnerships and result in Holdings no longer being a reporting company, which is expected to save approximately $1 million annually;

the terms of the merger agreement permit Holdings to change its recommendation of the merger any time prior to obtaining the requisite Holdings unitholder approval if the Holdings Board has concluded in good faith, after consultation with its outside legal and financial advisors, that the failure to make such a change in recommendation would be inconsistent with its fiduciary duties under the Holdings partnership agreement and applicable law;

the financial analysis reviewed and discussed with the Holdings Conflicts Committee by representatives of TudorPickering as well as the oral opinion of TudorPickering delivered to the Holdings Conflicts Committee on August 7, 2010 (which was subsequently confirmed in writing by delivery of TudorPickering s written opinion dated the same date) with respect to the fairness, from a financial point of view, to the unaffiliated Holdings unitholders of the consideration to be paid in the merger to such unaffiliated Holdings unitholders;

the financial analysis reviewed and discussed with the Holdings Conflicts Committee by representatives of TudorPickering as well as the oral opinion of TudorPickering delivered to the Holdings Conflicts Committee on September 22, 2010 (which was subsequently confirmed in writing by delivery of TudorPickering s written opinion dated the same date) with respect to the fairness, from a financial point of view, to the unaffiliated Holdings unitholders of the consideration to be paid in the merger to such unaffiliated Holdings unitholders;

presentations by and discussions with representatives of Andrews Kurth, Holdings Conflicts Committee s legal counsel, regarding the terms of the merger agreement, including the ability of Holdings or Holdings GP to enter into discussions with another party in response to any person that makes a solicited (prior to the 61st calendar day after the proxy statement is first filed with the SEC) or

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an unsolicited written offer, if the Holdings Board, after consultation with its outside legal and financial advisors, determines in good faith (a) that such unsolicited written offer constitutes or is reasonably likely to constitute a superior proposal and (b) that the failure to take such action would be inconsistent with its fiduciary duties under the Holdings partnership agreement and applicable law;

Holdings ability to terminate the merger agreement under certain conditions;

information concerning the businesses, assets, liabilities, results of operations, financial conditions and competitive positions and prospects of Inergy and Holdings, in each case, before and after the merger;

the fact that the value of the Inergy LP units to be received by the holders of Holdings units in the merger may increase as a result of fluctuations in the price of Inergy LP units and that any such increase in value will not be limited by any collar arrangement;

the current and prospective environment in which Holdings operates;

the support to Inergy s ability to pay full cash distributions without having to borrow over the initial two years after the closing of the merger as a result of issuing PIK securities to certain members of management which PIK securities are not entitled to cash distributions until converted into Inergy LP units;

the holders of Holdings common units, generally, should not recognize any income or gain, for U.S. federal income tax purposes, solely as a result of the receipt of the Inergy LP units pursuant to the merger;

the terms of the merger as set forth in the relevant agreements, including without limitation, the amended and restated agreement of limited partnership of Inergy, the support agreement and the merger agreement, including the conditions to closing which include the delivery of various tax opinions; and

the terms of the restated merger agreement are technical in nature, not material and do not impact the economics of the merger consideration or materially adversely affect the terms of the merger and related transactions with regard to the unaffiliated Holdings unitholders.

The Holdings Conflicts Committee also considered the following factors that weighed against the approval of the merger:

there can be no assurance that the capital requirements necessary to fund the continued growth of Inergy can be funded through the simplified capital structure;

the potential delay in timing with respect to some anticipated benefits of the merger;

the merger is expected to be near-term dilutive to Inergy s distributable cash flow per Inergy LP unit even taking into account that distributions on the Class B units will be paid in kind until conversion thereof;

the bases on which the Holdings Conflicts Committee made its determination are uncertain;

the risk that potential benefits sought in the merger might not be fully realized;

the risk that no substantial synergy will be realized through the merger;

the risk that the merger might not be completed in a timely manner;

the terms under which Inergy may terminate the merger agreement;

the merger might not be consummated as a result of a failure to satisfy the conditions contained in the merger agreement, including the failure to receive the applicable unitholder approvals or regulatory approval;

the potential adverse effects on Holdings business, operations and financial condition if the merger is not completed following public announcement of the execution of the original merger agreement;

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the capital requirements necessary to fund the continued growth of Inergy s combined businesses will be significant, and there can be no assurance that they can be funded from operating cash flows;

the limitations on Holdings GP s and Holdings ability to solicit other offers (after the 60th calendar day after the proxy statement is first filed with the SEC);

the fact that the merger will eliminate all benefits associated with the incentive distribution rights in the event of increases in distributions by Inergy;

the fact that Holdings may be required in certain circumstances to pay to Inergy a termination fee upon termination of the merger agreement;

the possibility, under certain circumstances, that Holdings could be required to reimburse Inergy for expenses incurred by Inergy in connection with the merger;

certain members of management of Holdings may have interests that are different from those of the holders of common units in Holdings; and

the possibility that the proposed carried interest legislation could be enacted with a retroactive effective date or with an effective date before consummation of the merger and the potential material tax liability that could be incurred.

In the view of the Holdings Conflicts Committee, these factors did not outweigh the advantages of the merger. The Holdings Conflicts Committee also reviewed a number of procedural factors relating to the merger, including, without limitation, the following factors:

the terms and conditions of the proposed merger were determined through arm s-length negotiations between Inergy s Special Committee and the Holdings Conflicts Committee and their respective representatives and advisors;

the Holdings Conflicts Committee retained and was advised by legal and financial advisors with knowledge and experience with respect to public company merger and acquisition transactions, the energy industry generally, as well as substantial experience advising MLPs and other companies with respect to transactions similar to the proposed transaction;

the Holdings Conflicts Committee reviewed and discussed financial analyses with respect to the merger with representatives of TudorPickering;

the Holdings Conflicts Committee received the oral opinion of TudorPickering on August 7, 2010 (which was subsequently confirmed in writing by delivery of TudorPickering s written opinion dated the same date) with respect to the fairness, from a financial point of view, to the unaffiliated Holdings unitholders of the consideration to be paid in the merger to such unaffiliated Holdings unitholders; and

the Holdings Conflicts Committee received the oral opinion of TudorPickering on September 22, 2010 (which was subsequently confirmed in writing by delivery of TudorPickering s written opinion dated the same date) with respect to the fairness, from a financial point of view, to the unaffiliated Holdings unitholders of the consideration to be paid in the merger to such unaffiliated

Holdings unitholders.

The foregoing discussion of the factors considered by the Holdings Conflicts Committee is not intended to be exhaustive, but it does set forth the principal factors considered by the Holdings Conflicts Committee.

The Holdings Conflicts Committee reached its conclusion to recommend the approval and adoption of the merger, the merger agreement and the transactions contemplated thereby, in light of various factors described above and other factors the Holdings Conflicts Committee believed were appropriate.

In view of the complexity of and wide variety of factors considered by the Holdings Conflicts Committee in connection with its evaluation of these matters, the Holdings Conflicts Committee did not consider it practical,

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and did not attempt to quantify, rank or otherwise assign relative weights to the specific factors it considered in reaching its decisions and did not undertake to make any specific determination as to whether any particular factor, or any aspect of any particular factor, was favorable or unfavorable to the ultimate determinations. Rather, the Holdings Conflicts Committee made its recommendations based on the totality of the information presented to it and the investigations conducted by it. Mr. O Brien received the standard fee of $1,500 for each Holdings Conflicts Committee meeting in respect of his service as the sole member of the Holdings Conflicts Committee.

For the reasons set forth above and after further evaluation of the terms of the restated merger agreement, the Holdings Conflicts Committee (i) determined that the merger, the restated merger agreement and the transactions contemplated thereby are advisable, fair and reasonable to and in the best interests of Holdings and the unaffiliated Holdings unitholders, (ii) approved the restated merger agreement and the transactions contemplated thereby (including the merger), (iii) recommended that the Holdings Board approve the merger, restated merger agreement and the transactions contemplated thereby (including the merger), and (iv) recommended that the Holdings Board recommend that the Holdings unitholders vote FOR the approval and adoption of the merger, the restated merger agreement and the matters contemplated thereby.

Based in part on the Holdings Conflicts Committee s determination, Special Approval and recommendation, and after further deliberations and evaluation of the terms of the restated merger agreement and ancillary agreements, the Holdings Board unanimously (with Mr. John Sherman recusing himself) approved, the merger, the restated merger agreement and the transactions contemplated and recommended that the Holdings unitholders vote in favor of the proposal to approve the merger, the restated merger agreement and the transactions contemplated thereby.

In considering the recommendation of the Holdings Board with respect to the merger agreement and transactions contemplated thereby, you should be aware that some of the executive officers and directors of Holdings GP have interests in the proposed transaction that are different from, or in addition to, the interests of Holding s unitholders generally. The Holdings Conflicts Committee and the Holdings Board were aware of these interests in recommending approval of the merger agreement and the transactions contemplated thereby. Please read Interests of Certain Persons in the Merger.

It should be noted that portions of this explanation of the reasoning of the Holdings Conflicts Committee and the Holdings Board and certain information presented in this section is forward-looking in nature and, therefore, should be read along with the factors discussed under the heading Forward-Looking Statements.

Inergy s Reasons for the Merger

The Inergy Board authorized the Special Committee of the Inergy Board (the Inergy Special Committee) to negotiate the merger, the merger agreement and the transactions contemplated thereby, including the support agreement and the amended and restated partnership agreement, on behalf of the unaffiliated Inergy unitholders. The Inergy Special Committee engaged independent legal and financial advisors to assist in the negotiations.

At a meeting of the Inergy Special Committee held on August 6, 2010, the Inergy Special Committee received presentations concerning, and reviewed the terms of, the merger agreement, the support agreement and the amended and restated partnership agreement. At the meeting, the Inergy Special Committee considered the benefits of the merger as well as the associated risks and determined to recommend to the Inergy Board that it proceed with the transactions contemplated by the merger agreement and approve the form, terms and conditions of the merger, the merger agreement and the transactions contemplated thereby, including the support agreement and the amended and restated partnership agreement.

At a meeting of the Inergy Board held on August 7, 2010, the Inergy Board received presentations concerning, and reviewed the terms of, the merger agreement, the support agreement and the amended and restated partnership agreement. At the meeting, the Inergy Board considered the benefits of the merger as well as the associated risks

and unanimously determined (with the board members who are also members of management recusing themselves) that the merger agreement and the transactions contemplated thereby, including the support agreement and the amended and restated partnership agreement, are fair and reasonable to Inergy, and in the best interests of, Inergy and its unaffiliated Inergy unitholders, approved and declared advisable the merger agreement and the matters contemplated thereby, including the support agreement and the amended and restated partnership agreement, and approved the issuance of the Inergy LP units pursuant to the merger agreement.

On August 31, 2010, the Inergy Special Committee met telephonically, with representatives of Husch Blackwell and Baird participating, to review and consider the restated merger agreement and revisions to certain related agreements, to among other things, confirm and eliminate uncertainty regarding the tax treatment of the transaction. Prior to the meeting, the Inergy Special Committee was provided drafts of the restated merger agreement and a revised form of amended and restated partnership agreement and certain related agreements. On the afternoon of September 1, 2010, Husch Blackwell obtained confirmation of certain tax issues in a telephone conversation with representatives of Vinson & Elkins. Later that afternoon, the Inergy Special Committee determined to recommend to the Inergy Board that it proceed with the transactions contemplated by the restated merger agreement and approve the form, terms and conditions of the restated merger agreement and the transactions contemplated thereby.

On September 2, 2010, the Inergy Board met telephonically and unanimously (not including Mr. John Sherman who recused himself) determined that the restated merger agreement and the transactions contemplated thereby are fair and reasonable to Inergy, and in the best interests of, Inergy and its unaffiliated Inergy unitholders, approved and declared advisable the restated merger agreement and the matters contemplated thereby and approved the issuance of the Inergy LP units pursuant to the restated merger agreement.

In reaching its decision on the merger, the merger agreement and the transactions contemplated thereby, the Inergy Board consulted with the Inergy Special Committee, management and the Inergy Special Committee s legal and financial advisors and considered a number of factors that supported the approval of the merger, the merger agreement or the restated merger agreement (hereinafter for this section, collectively, the merger agreement) and the transactions contemplated thereby, including the following:

- the fact that Inergy will no longer have any issued and outstanding IDRs as a result of the merger, the merger agreement and the transactions contemplated thereby;
- the reduction in Inergy s equity cost of capital because Inergy will no longer have any issued and outstanding IDRs as a result of the merger, the merger agreement and the transactions contemplated thereby;
- the enhancement of Inergy s ability to compete for new acquisitions following consummation of the merger as a result of its reduced equity cost of capital;
- the merger, the merger agreement and the transactions contemplated thereby are expected to be accretive to Inergy s distributable cash flow per Inergy LP unit in the long term;
- the fact that the number of Inergy LP units to be received by the Holdings unitholders is fixed and that any increase or decrease in the price of the Inergy LP units will not impact such number;
- the potential to accelerate the anticipated strategic benefits of the merger, the merger agreement and the transactions contemplated thereby;
- the probability that Inergy and Holdings will be able to complete the merger, the merger agreement and the transactions contemplated thereby, including Holdings ability to obtain unitholder approval;

the merger, the merger agreement and the transactions contemplated thereby will eliminate the costly duplication of services required to maintain two public companies, which will allow management of Inergy GP to focus on managing Inergy;

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the merger, the merger agreement and the transactions contemplated thereby will likely result in a capital structure and governance structure of Inergy that is more easily understood by the investing public;

the favorable benefits of a streamlined organizational structure, including greater tax simplicity, simplified future credit relationships and clearer responsibilities and duties of Inergy to various stakeholders;

the fact that merger has been structured to avoid a change of control event of default under Inergy s credit agreement;

the fact that the merger, the merger agreement and the transactions contemplated thereby will eliminate potential conflicts of interest that may arise as a result of a person being an officer of Inergy GP and of Holdings GP and as a result of a person being a member of the Inergy Board and a member of Holdings Board;

the fact that the merger, the merger agreement and the transactions contemplated thereby should not have material adverse tax consequences to the Inergy unitholders;

the fact that having a greater number of outstanding Inergy LP units is expected to increase the public float and trading liquidity of the market for Inergy LP units;

that willingness of the members of management to accept Class B units, and the favorable impact those units will have on the ability of Inergy to maintain a favorable coverage ratio and debt/EBITDA ratio;

the opinion of Baird, the Inergy Special Committee s independent financial advisor, presented orally to the Inergy Special Committee on August 7, 2010 and delivered in writing on August 8, 2010, that, based on and subject to the assumptions made, procedures followed, matters considered and limitations of review set forth in the opinion, the aggregate consideration to be paid by Inergy in the merger was fair, from a financial point of view, to the public unaffiliated common unitholders of Inergy; and

the terms of the merger agreement, the support agreement and the Inergy amended and restated partnership agreement, including the conditions to closing which include the delivery of various tax opinions.

The Inergy Board also considered the following factors that weighed against the approval of the merger, the merger agreement and the transactions contemplated thereby:

the potential delay in timing with respect to the anticipated accretive benefit of the merger, the merger agreement and the transactions contemplated thereby;

the fact that the merger, the merger agreement and the transactions contemplated thereby are expected to be near-term dilutive to Inergy s distributable cash flow per Inergy LP unit;

the fact that the merger, the merger agreement and the transactions contemplated thereby are expected to initially result in a limited decrease in Inergy s distribution coverage ratio;

the fact that the merger and the transactions contemplated thereby might not be completed as a result of a failure to satisfy the conditions contained in the merger agreement, including the failure to receive Holdings unitholder approval;

the fact that, as of the close of trading on August 6, 2010, the value of the Inergy LP units to be issued in the merger represented a 4.9% premium to the per unit closing price of Holdings common units as of August 6, 2010, the last trading day before the public announcement of the proposed merger (and approximately a 16.0%, 28.7% and 41.2% premium over the average closing price of Holdings common units for the 30, 90 and 180 trading days, respectively, preceding the announcement);

the risk that potential benefits sought in the merger and the transactions contemplated by the merger agreement might not be fully realized;

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the fact that the bases on which the Inergy Special Committee made its determination and recommendation to the Inergy Board, including assumptions associated with management s projections, are uncertain;

the fact that Inergy may be required in certain circumstances to reimburse Holdings for its expenses upon termination of the merger agreement;

the fact that Inergy is assuming liabilities of Holdings under Holdings current credit agreements;

the fact that the merger and the transactions contemplated by the merger agreement might not be completed in a timely manner, or at all, including the diversion of management and employee attention, at significant cost and disruption to the business of Inergy; and

other matters described under the caption Risk Factors beginning on page 25.

In the view of the Inergy Board, these factors did not outweigh the advantages of the merger, the merger agreement and the transactions contemplated thereby. The Inergy Board also reviewed a number of procedural factors relating to the merger, the merger agreement and the transactions contemplated thereby, including, without limitation, the following factors:

that because of the possible conflicts of interest associated with the negotiations between Inergy and Holdings leading to agreement with respect to the merger, the merger agreement and the transactions contemplated thereby, the Inergy Special Committee was delegated the power and authority to (i) review, evaluate and, if deemed appropriate, negotiate the terms of any potential restructuring or merger or both; (ii) determine the advisability of any restructuring and/or merger or any alternatives thereto on behalf of Inergy and the unaffiliated limited partners of Inergy; and (iii) make a recommendation to the Inergy Board as to what action, if any, should be taken by the Inergy Board with respect to a restructuring and/or merger or any alternatives thereto;

that the delegation to the Inergy Special Committee included the authority to solicit the views of the officers of Inergy GP regarding the terms and conditions of any restructuring and/or merger or any alternatives thereto to assist the Inergy Special Committee in its review and evaluation of such terms and conditions;

that the Inergy Special Committee consists of one independent director who is not affiliated with Holdings or Holdings GP;

that certain terms and conditions of the merger agreement were determined through arm s-length negotiations between the Inergy Special Committee and Holdings Conflicts Committee and their respective representatives and advisors;

that the Inergy Special Committee was given authority to select and compensate its legal, financial and other advisors in the discretion of the Inergy Special Committee;

that the Inergy Special Committee retained and was advised by independent legal counsel experienced in advising on matters of this kind;

that the Inergy Special Committee retained and was advised by independent investment bankers experienced with publicly traded limited partnerships to assist in evaluating the fairness to the public unaffiliated common unitholders of Inergy, from a financial point of view, of the aggregate consideration to be paid by Inergy in the merger; and

other matters described under the caption Risk Factors beginning on page 25.

The foregoing discussion of the factors considered by the Inergy Board is not intended to be exhaustive, but it does set forth the principal factors considered by the Inergy Board.

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The Inergy Board reached its conclusion to approve and declare advisable the merger agreement, the support agreement and Inergy s amended and restated partnership agreement in light of various factors described above and other factors that the Inergy Board believed were appropriate.

In view of the wide variety and complexity of factors considered by the Inergy Board in connection with its evaluations of these matters, the Inergy Board did not consider it practical, and did not attempt to quantify, rank or otherwise assign relative weights to the specific factors it considered in reaching its decisions and did not undertake to make any specific determination as to whether any particular factor, or any aspect of any particular factor, was favorable or unfavorable to the ultimate determinations. Rather, the Inergy Board made its determinations based on the totality of the information presented to it and the investigations conducted by it.

It should be noted that portions of this explanation of the reasoning of the Inergy Board and certain information presented in this section is forward-looking in nature and, therefore, should be read along with the factors discussed under the heading Forward-Looking Statements.

Unaudited Financial Projections of Inergy and Holdings

Neither Inergy nor Holdings have historically published projections as to future performance or earnings. However, in connection with the proposed merger, senior management prepared projections that included future financial and operating performance. The projections were prepared for Inergy on a stand-alone basis and on a combined basis giving effect to the merger and related transactions. The non-public projections dated as of July 26, 2010 and the updated non-public projections dated as of September 20, 2010 were provided to TudorPickering for use and consideration in its independent financial analysis, in preparation of its fairness opinions to the Holdings Conflicts Committee and related financial advisory services. The projections were also provided to the Inergy Special Committee, the Inergy Board and the Holdings Board. A summary of these projections is included below to give Holdings unitholders access to certain non-public unaudited prospective financial information that was made available to TudorPickering, the Holdings Conflicts Committee, the Inergy Special Committee, Baird, the Inergy Board and the Holdings Board in connection the proposed merger.

Inergy and Holdings caution you that uncertainties are inherent in prospective financial information of any kind. None of Inergy, Holdings or any of their affiliates, advisors, officers, directors or representatives has made or makes any representation or can give any assurance to any Holdings unitholder or any other person regarding the ultimate performance of Inergy or Holdings compared to the summarized information set forth below or that any such results will be achieved.

The summary projections dated as of July 26, 2010 set forth below summarize the most recent projections provided to TudorPickering, the Holdings Conflicts Committee, the Inergy Special Committee, Baird, the Inergy Board and the Holdings Board prior to the execution of the original merger agreement. The summary projections dated as of September 20, 2010 set forth below summarize the most recent projections provided to TudorPickering, the Holdings Conflicts Committee, the Inergy Special Committee, the Inergy Board and the Holdings Board in connection with TudorPickering s September 22 opinion. The inclusion of the following summary projections in this proxy statement/prospectus should not be regarded as an indication that Inergy, Holdings or their representatives considered or consider the projections to be a reliable or accurate prediction of future performance or events, and the summary projections set forth below should not be relied upon as such.

The projections summarized below were prepared by management of Inergy GP and Holdings GP in connection with the evaluation of the proposed merger or for internal planning purposes only and not with a view toward public disclosure or toward compliance with GAAP, the published guidelines of the SEC, or the guidelines established by the American Institute of Certified Public Accountants. Neither Ernst & Young LLP nor any other independent registered public accounting firm have compiled, examined or performed any procedures with respect to the prospective financial information contained in the projections and accordingly, Ernst & Young LLP does not express an opinion or any other form of assurance with respect thereto. The

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Ernst & Young LLP reports incorporated by reference into this proxy statement/prospectus relate to historical financial information of Inergy and Holdings. Such reports do not extend to the projections included below and should not be read to do so. The respective boards of directors of Inergy GP and Holdings GP did not prepare, and do not give any assurance regarding, the summarized information.

The internal financial forecasts (upon which the projected information is based) of Inergy and Holdings are, in general, prepared solely for internal use to assist in various management decisions, including with respect to capital budgeting. Such internal financial forecasts are inherently subjective in nature, susceptible to interpretation and accordingly, such forecasts may not be achieved. The internal financial forecasts also reflect numerous assumptions made by management, including material assumptions that may not be realized and are subject to significant uncertainties and contingencies, all of which are difficult to predict and many of which are beyond the control of the preparing party. Accordingly, there can be no assurance that the assumptions made in preparing the internal financial forecasts upon which the foregoing projected financial information was based will prove accurate. There will be differences between actual and forecasted results, and the differences may be material. The risk that these uncertainties and contingencies could cause the assumptions to fail to be reflective of actual results is further increased due to the length of time in the future over which these assumptions apply. The assumptions in early periods have a compounding effect on the projections shown for the later periods. Thus, any failure of an assumption to be reflective of actual results in an early period would have a greater effect on the projected results failing to be reflective of actual events in later periods.

Unaudited Financial Projections Dated as of July 26, 2010

The following summary projections dated as of July 26, 2010 summarize the most recent projections provided to TudorPickering, the Holdings Conflicts Committee, the Inergy Special Committee, Baird, the Inergy Board and the Holdings Board prior to the execution of the original merger agreement. In developing the projections, Inergy and Holdings made numerous material assumptions with respect to Inergy and Holdings for the period from 2011 to 2015, including:

- the cash flow from existing assets and business activities;
- organic growth opportunities and projected acquisition growth and the amounts and timing of related costs and potential economic returns;
- outstanding debt during applicable periods, and the availability and cost of capital; and
- other general business, market and financial assumptions.

Additional assumptions were made with respect to the size, availability, timing and anticipated results of, and cash flows from, acquired assets. All of these assumptions involve variables making them difficult to predict, and most are beyond the control of Inergy and Holdings. Although management of Inergy and Holdings believe that there was a reasonable basis for their projections and underlying assumptions, any assumptions for near-term projected cases remain uncertain, and the risk of inaccuracy increases with the length of the forecasted period. The projection of future acquisitions is particularly difficult as Inergy and Holdings have no control over the availability or price of future acquisition opportunities.

The summarized projected financial information set forth below is based on actual results through May 31, 2010 and projected results for the fiscal years ending September 30, 2011, 2012, 2013, 2014 and 2015. These projections assume three cases. The first, called Inergy Status Quo in the table below, assumes Inergy s existing business as well as planned organic growth projects and contracted acquisitions. The second, called Inergy Base Case in the table below, assumes $75 million per year of unidentified acquisition or growth projects, with cash flow based on an 8.0x EBITDA multiple, no EBITDA growth over time and incremental maintenance capital expenditures equal to 2.5% of EBITDA of the acquired businesses. These additional growth capital expenditures were assumed to be financed both with new debt in an amount equal to 3.75x forward year projected EBITDA

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bearing interest at an 8.0% interest rate, before an initial purchasers discount of 2.5%, and with equity issued at a current yield of 6.6%, before an underwriting and marketing discount of 7%. The third, called Inergy Pro Forma in the table below, assumes, in addition to the assumptions in the Inergy Base Case, that on a pro forma basis Inergy will achieve synergies from the merger enabling it to reduce annual general and administrative expenses by $1 million and to execute an additional $300 million of unidentified acquisitions or growth projects annually throughout the forecasted period at a 9.0x EBITDA multiple.

	Inergy Status Quo					Inergy Base Case					Inergy Pro Forma				
	2011E	2012E	2013E	2014E	2015E	2011E	2012E	2013E	2014E	2015E	2011E	2012E	2013E	2014E	2015E
($ in millions)															
EBITDA	$ 375	$ 420	$ 444	$ 452	$ 452	$ 385	$ 439	$ 472	$ 489	$ 498	$ 418	$ 506	$ 572	$ 622	$ 665
Distributable cash flow	$ 264	$ 292	$ 300	$ 301	$ 301	$ 270	$ 304	$ 319	$ 326	$ 332	$ 290	$ 346	$ 383	$ 412	$ 440

Updated Financial Projections Dated as of September 20, 2010

The following summary projections dated as of September 20, 2010 summarize the most recent projections provided to TudorPickering, the Holdings Conflicts Committee, the Inergy Special Committee, the Inergy Board and the Holdings Board in connection with the TudorPickering s fairness opinion dated as of September 22, 2010. In developing the updated projections, Inergy and Holdings made numerous material assumptions with respect to Inergy and Holdings for the period from 2011 to 2015, including:

- the cash flow from existing assets and business activities;
- updated organic growth opportunities and projected acquisition growth, including the recently announced acquisition of Tres Palacios, and the amounts and timing of related costs and potential economic returns;
- outstanding debt during applicable periods, and the availability and cost of capital, including recent capital markets activity since the prior forecast; and
- other general business, market and financial assumptions.

Additional assumptions were made with respect to the size, availability, timing and anticipated results of, and cash flows from, acquired assets. All of these assumptions involve variables making them difficult to predict, and most are beyond the control of Inergy and Holdings. Although management of Inergy and Holdings believe that there was a reasonable basis for their projections and underlying assumptions, any assumptions for near-term projected cases remain uncertain, and the risk of inaccuracy increases with the length of the forecasted period. The projection of future acquisitions is particularly difficult as Inergy and Holdings have no control over the availability or price of future acquisition opportunities.

The summarized projected financial information set forth below is based on actual results through June 30, 2010 and projected results for the fiscal years ending September 30, 2011, 2012, 2013, 2014 and 2015. These projections assume three cases. The first, called Inergy Status Quo in the table below, assumes Inergy s existing business as well as planned organic growth projects and contracted acquisitions. The second, called Inergy Base Case in the table below, assumes $75 million per year of unidentified acquisition or growth projects, with cash flow based on an 8.0x EBITDA multiple, no EBITDA growth over time and incremental maintenance capital expenditures equal to 2.5% of EBITDA of the acquired businesses. These additional growth capital expenditures were assumed to be financed both with new debt in an amount equal to 3.75x forward year projected EBITDA bearing interest at a 7.0% interest rate, before an initial purchasers discount of 2.5%, and with equity issued at a current yield of 7.33%, before an underwriting and marketing discount of 7%. The Inergy Status Quo and Inergy Base Case both assume a $7.5 million rebate to Inergy from Holdings related to the recently announced

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acquisition of Tres Palacios. The third, called Inergy Pro Forma in the table below, assumes, in addition to the assumptions in the Inergy Base Case, that on a pro forma basis Inergy will achieve synergies from the merger enabling it to reduce annual general and administrative expenses by $1 million and to execute an additional $300 million of unidentified acquisitions or growth projects annually throughout the forecasted period at a 9.0x EBITDA multiple.

	Inergy Status Quo					Inergy Base Case					Inergy Pro Forma				
	2011E	2012E	2013E	2014E	2015E	2011E	2012E	2013E	2014E	2015E	2011E	2012E	2013E	2014E	2015E
($ in millions)															
EBITDA	$ 432	$ 494	$ 516	$ 538	$ 538	$ 441	$ 512	$ 544	$ 575	$ 585	$ 474	$ 579	$ 644	$ 709	$ 751
Distributable cash flow	$ 292	$ 345	$ 353	$ 368	$ 368	$ 299	$ 358	$ 373	$ 394	$ 401	$ 320	$ 403	$ 441	$ 486	$ 516

General

These projections are considered forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and are subject to risks and uncertainties. For information on factors which may cause our future financial results to materially vary, please read Forward-Looking Statements on page 83. Accordingly, the assumptions made in preparing the projections may not prove to be reflective of actual results, and actual results may be materially different than those contained in the projections.

NEITHER INERGY NOR HOLDINGS INTEND TO UPDATE OR OTHERWISE REVISE THE ABOVE PROSPECTIVE FINANCIAL INFORMATION TO REFLECT CIRCUMSTANCES EXISTING AFTER THE DATE WHEN MADE OR TO REFLECT THE OCCURRENCE OF FUTURE EVENTS, EVEN IN THE EVENT THAT ANY OR ALL OF THE ASSUMPTIONS UNDERLYING SUCH PROSPECTIVE FINANCIAL INFORMATION ARE NO LONGER APPROPRIATE.

Opinions of Tudor, Pickering, Holt & Co. Securities, Inc. Financial Advisor to the Holdings Conflicts Committee

August 7 Opinion

At a meeting of the Holdings Conflicts Committee held on August 7, 2010, TudorPickering delivered to the Holdings Conflicts Committee its oral opinion (which was subsequently confirmed in writing) that, as of August 7, 2010, and based upon and subject to the factors and assumptions set forth in the opinion, the consideration to be paid to the unaffiliated Holdings unitholders pursuant to the original merger agreement, was fair, from a financial point of view, to the unaffiliated Holdings unitholders.

The August 7 opinion speaks only as of the date it was delivered and not as of the time the merger will be completed or any other time. The opinion does not reflect any circumstances, developments or events that may occur or have occurred since August 7, 2010, which could significantly alter the value of Holdings or Inergy or the trading prices of the Holdings common units or the Inergy LP units, which are among the factors on which TudorPickering s opinion was based.

The full text of the TudorPickering s August 7 opinion, which sets forth, among other things, the assumptions made, procedures followed, matters considered, and qualifications and limitations of the review undertaken by TudorPickering in rendering its opinion, is attached as Annex D to this proxy statement/prospectus and is incorporated herein by reference. The summary of TudorPickering s August 7 opinion set forth in this proxy statement/prospectus is qualified in its entirety by reference to the full text of the written opinion. The holders of the Holdings common units are urged to read TudorPickering s August 7 opinion carefully and in its entirety. TudorPickering provided its opinion for the information and assistance of the Holdings Conflicts Committee in connection with its consideration of the merger. The TudorPickering opinion does not constitute a recommendation to any holder of Holdings common units as to how such unitholder should vote with respect to the merger or any other matter.

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TudorPickering s August 7 opinion and its presentation to the Holdings Conflicts Committee were among many factors taken into consideration by the Holdings Conflicts Committee in making its recommendation regarding the merger.

In connection with rendering its August 7 opinion described above and performing its related financial analyses, TudorPickering reviewed the following, among other things:

- the original merger agreement;
- the form of the Holdings amended and restated partnership agreement;
- the form of the Inergy amended and restated partnership agreement;
- the support agreement;
- annual reports to unitholders and Annual Reports on Form 10-K of Holdings and Inergy for the two years ended September 30, 2009;
- certain interim reports to unitholders and Quarterly Reports on Form 10-Q of Holdings and Inergy;
- certain current reports on Form 8-K of Holdings and Inergy;
- draft earnings releases and draft Quarterly Reports on Form 10-Q of Holdings and Inergy for the quarter ended June 30, 2010;
- certain other communications from Holdings and Inergy to their respective unitholders;
- certain internal financial information and forecasts for Holdings and Inergy prepared by senior management, as reviewed, adjusted and approved for our use by the Holdings Conflicts Committee (the Forecasts);
- certain publicly available research analyst reports with respect to the future financial performance of Holdings and Inergy, which TudorPickering discussed with senior management and the Holdings Conflicts Committee; and
- certain cost savings and operating synergies projected by senior management to result from the merger, as reviewed and approved for TudorPickering s use by the Holdings Conflicts Committee (the Synergies).

TudorPickering also held discussions with members of senior management and the Holdings Conflicts Committee regarding their assessment of the strategic rationale for, and the potential benefits of, the merger and the past and current business operations, financial condition and future prospects of Holdings, Inergy and their respective subsidiaries. In addition, TudorPickering reviewed the reported unit price and trading activity for Holdings common units and Inergy LP units, compared certain financial and stock market information for Holdings and Inergy with similar information for certain other companies the securities of which are publicly traded, compared the financial terms of the original merger agreement with the financial terms of certain recent business combinations in the midstream sector of the energy industry, including business combinations involving MLPs, and performed such other studies and analyses, and considered such other factors, as TudorPickering considered appropriate.

For purposes of its opinion, TudorPickering assumed and relied upon, without assuming any responsibility for independent verification, the accuracy and completeness of all of the financial, accounting, legal, tax and other information provided to, discussed with or reviewed by or for it, or publicly available. In that regard, TudorPickering assumed with the Holdings Conflicts Committee s consent that the Forecasts and Synergies were reasonably prepared on a basis reflecting the best estimates available at that time and judgments of senior management and the Holdings Conflicts Committee and that such Forecasts and Synergies will be realized in the amounts and within the time periods contemplated thereby. TudorPickering also assumed that all governmental, regulatory and other consents or approvals necessary for the consummation of the merger will be obtained without any material adverse effect on Holdings, any of the other parties to the original merger agreement, the holders of Holdings common units or the expected benefits of the merger in any meaningful way to

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TudorPickering s analysis and assumed that the merger will be consummated on the terms described in the original merger agreement, without any waiver or modification of any material terms or conditions. In addition, TudorPickering has not made an independent evaluation or appraisal of the assets and liabilities (including any contingent, derivative or off-balance-sheet assets and liabilities) of Holdings, Inergy or any of their respective subsidiaries, and has not been furnished with any such evaluation or appraisal.

TudorPickering s opinion is necessarily based upon the economic, monetary, market and other conditions as in effect on, and the information made available to it as of, August 7, 2010. TudorPickering has not assumed and has disclaimed expressly any responsibility or obligation to update, revise or reaffirm its opinion based on circumstances, developments or events occurring after the date of its opinion.

The estimates contained in TudorPickering s analyses and analyses based upon forecasts of future results are not necessarily indicative of future results, which may be significantly more or less favorable than suggested by such analyses. In addition, analyses relating to the value of businesses or assets neither purport to be appraisals nor do they necessarily reflect the prices at which businesses or assets may actually be sold. Accordingly, as TudorPickering s analyses and estimates are based upon numerous factors and events beyond the control of the parties and their respective advisors, they are inherently subject to substantial uncertainty, and none of TudorPickering, Holdings, the Holdings Conflicts Committee or any other person assumes responsibility if future results are materially different from those forecasts.

TudorPickering s opinion does not address the relative merits of the merger as compared to any alternative transaction that might be available to Holdings, nor does it address the underlying business decision of Holdings to engage in the merger. TudorPickering s opinion relates solely to the fairness, from a financial point of view, to the unaffiliated Holdings unitholders of the consideration to be paid pursuant to the original merger agreement to such holders. TudorPickering does not express any view on, and its opinion does not address, any other term or aspect of the original merger agreement, the Holdings amended and restated partnership agreement, the Inergy amended and restated partnership agreement, the support agreement or the merger, including, without limitation, the fairness of the merger to, or any consideration received in connection therewith by, creditors or other constituencies of Holdings or Inergy; nor as to the fairness of the amount or nature of any compensation to be paid or payable to any of the officers, directors or employees of Holdings or Inergy, or any other class of such persons, in connection with the merger, whether relative to the consideration to be received by the holders of Holdings common units pursuant to the original merger agreement or otherwise. TudorPickering has not been asked to consider, and its opinion does not address, the price at which Holdings common units will trade at any time. TudorPickering did not render any legal, regulatory, tax or accounting advice to the Holdings Conflicts Committee in connection with the merger.

The following is a summary of the material analyses employed and factors considered by TudorPickering in rendering its opinion to the Holdings Conflicts Committee on August 7, 2010. The following summary, however, does not purport to be a complete description of the financial analyses performed by TudorPickering, nor does the order of analyses described represent relative importance or weight given to those analyses by TudorPickering. Some of the summaries of the financial analyses described below include information presented in tabular format. The tables must be read together with the full text of each summary and alone are not a complete description of TudorPickering s financial analyses. Except as otherwise noted, the following quantitative information, to the extent that it is based on market data, is based on market data as it existed on or before August 6, 2010 and is not necessarily indicative of current market conditions.

Summary of Valuation Methodologies

TudorPickering evaluated the fairness of the merger consideration by using the following valuation methodologies:

- historical exchange ratio analysis;
- premiums paid analysis;

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selected trading metrics analysis;

selected transaction metrics analysis;

relative discounted cash flow analysis;

contribution analysis;

pro forma combination analysis; and

PIK analysis.

In performing its evaluation analysis, TudorPickering analyzed data under three different Forecasts, as generally described below:

The first case, which is referred to below as Management s Status Quo, was prepared by senior management and assumes Inergy s existing business as well as planned organic growth projects and contracted acquisitions. Please read Unaudited Financial Projections of Inergy and Holdings.

The second case, which is referred to below as Management s Base Case, was prepared by senior management and assumes $75 million per year of unidentified acquisitions or growth projects, with cash flow based on an 8.0x EBITDA multiple, no EBITDA growth over time and incremental maintenance capital expenditures equal to 2.5% of EBITDA of the acquired businesses. TudorPickering assumed additional growth capital expenditures were financed both with new debt in an amount equal to 27% of such capital expenditures (as opposed to management s assumption of new debt in an amount equal to 3.75x forward year projected EBITDA) bearing interest at an 8.0% interest rate, before an initial purchasers discount of 2.5%, and with equity issued at a yield of 6.5%, before an underwriting and marketing discount of 7%. Please read Unaudited Financial Projections of Inergy and Holdings.

The third case, which is referred to below as Base Case Sensitivity, was prepared by TudorPickering at the direction of, and as reviewed and approved by, the Holdings Conflicts Committee, and assumes $150 million per year of unidentified acquisitions, with earnings based on a 7.0x EBITDA multiple, no EBITDA growth over time and incremental maintenance capital expenditures equal to 2.5% of EBITDA of the acquired businesses. TudorPickering assumed these additional growth capital expenditures were financed both with new debt in an amount equal to 27% of such capital expenditures (compared with management s assumption of new debt in an amount equal to 3.75x the acquired businesses forward year projected EBITDA) bearing interest at an 8.0% interest rate, before an initial purchasers discount of 2.5%, and with equity issued at a yield of 6.5%, before an underwriting and marketing discount of 7%.

Historical Exchange Ratio Analysis

TudorPickering compared the exchange ratio in the merger of 0.770 Inergy LP units for each Holdings common unit to selected implied historical exchange ratios between Holdings and Inergy derived by dividing the closing price of a Holdings common unit by the closing price of an Inergy LP unit as of August 6, 2010 and by averaging the exchange ratios calculated daily during selected trading periods from June 21, 2005, the date of the IPO of Holdings common units, through August 6, 2010.

The following table sets forth the results of these analyses:

	Average Exchange Ratio
August 6, 2010 closing	0.734x
3-Month Average	0.687x
6-Month Average	0.668x
1-Year Average	0.604x
2-Year Average	0.526x
Average since Holdings IPO (June 21, 2005)	0.474x

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Premiums Paid Analysis

TudorPickering reviewed certain publicly available information related to selected general partner transactions, arms -length MLP transactions and related party MLP transactions to calculate the amount of the premiums paid by the acquirers to the target companies unitholders or stockholders. TudorPickering calculated the premiums paid one, seven and 30 calendar days prior to the first public announcement of an offer by the acquirer in the following transactions:

General Partners

Announcement Date of Final Offer	Target	Acquirer
6/11/2010	Buckeye GP Holdings L.P.	Buckeye Partners L.P.
3/3/2009	Magellan Midstream Holdings, L.P.	Magellan Midstream Partners, L.P.
11/3/2009	Hiland Holdings GP, LP	Harold Hamm
9/5/2007	MarkWest Hydrocarbon, Inc.	MarkWest Energy Partners LP
6/19/2006	TransMontaigne Inc.	Morgan Stanley Capital Group Inc.
11/1/2004	Kaneb Services LLC	Valero L.P.

	1 Calendar Day Prior	7 Calendar Days Prior	30 Calendar Days Prior
Mean	27%	25%	27%
Median	24%	28%	25%

Arms-Length MLPs

Announcement Date of Final Offer	Target	Acquirer
6/12/2006	Pacific Energy Partners L.P.	Plains All-American Pipeline L.P.
11/1/2004	Kaneb Pipe Line Partners L.P.	Valero L.P.
12/15/2003	GulfTerra Energy Partners L.P.	Enterprise Products Partners L.P.
10/20/1997	Santa Fe Pacific Pipeline Partners L.P.	Kinder Morgan Energy Partners L.P.

	1 Calendar Day Prior	7 Calendar Days Prior	30 Calendar Days Prior
Mean	16%	16%	19%
Median	16%	14%	17%

Related Party MLPs

Announcement Date of Final Offer	Target	Acquirer
5/24/1010	Williams Pipeline Partners L.P.	Williams Partners L.P.
6/29/2009	TEPPCO Partners, L.P.	Enterprise Products Partners L.P.
4/27/2009	Atlas Energy Resources, LLC	Atlas America, Inc.
11/3/2009	Hiland Partners, LP	Harold Hamm

	1 Calendar Day Prior	7 Calendar Days Prior	30 Calendar Days Prior
Mean	9%	5%	29%

Median	4%	4%	33%

The implied premiums to holders of Holdings common units on 1, 7 and 30 calendar days were 5%, 7% and 19%, respectively.

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Selected Trading Metrics Analysis

TudorPickering reviewed and compared certain financial, operating and stock market information for five publicly traded holding companies of general partners of MLPs (Public GPs) Alliance Holdings GP, L.P., Energy Transfer Equity L.P., Enterprise GP Holdings L.P., Penn Virginia GP Holdings, L.P. and NuStar GP Holdings, LLC. TudorPickering did not include certain Public GPs, such as Atlas Pipeline Holdings, L.P. and Crosstex Energy, Inc., that have suspended paying distributions and are therefore seen as distressed, nor did TudorPickering include Buckeye Partners, L.P., which is the subject of a pending merger transaction.

For each of the comparable Public GPs, using third-party research estimates and publicly available information, TudorPickering calculated the estimated multiples for 2010 and 2011 of (a) total equity value to total cash flow received from the underlying MLP and (b) the implied equity value (the Implied GP Equity Value) of the combined general partner interest and incentive distribution rights owned by the Public GP (but excluding any common or subordinated or similar units of the underlying MLP) (the Combined GP Interest) to projected cash flow from the underlying MLP attributable to the Combined GP Interest for the next two forward years (Projected Combined GP Interest Cash Flow). For each comparable Public GP, TudorPickering calculated the total equity value by multiplying the number of common units outstanding as of the most recently reported date by the closing price per common unit on August 6, 2010 and calculated the Implied GP Equity Value by subtracting the current market value of limited partner units owned by the Public GP from the total equity value. The cash flow attributable to the Combined GP Interest includes the cash flow that such Public GP would be entitled to receive in respect of its general partner interest and incentive distribution rights, less any general and administrative expenses of the Public GP, and the cash flow attributable to the Public GP includes the cash flow that such Public GP would be entitled to receive in respect of its general partner interest, incentive distribution rights and limited partner interests, less any general and administrative expenses of the Public GP. TudorPickering then calculated these multiples for Holdings based on Management s Status Quo forecast for fiscal years ending September 30, 2010 and 2011.

The following table sets forth the results of these analyses:

	Equity Value as a Multiple of Cash Flow Received from the Underlying MLP		Implied GP Equity Value as a Multiple of Cash Flow Received from Combined GP Interest	
	2010 Estimated	2011 Estimated	2010 Estimated	2011 Estimated
Management s Status Quo	25.1x	26.0x	26.8x	28.0x
Comparable GPs:				
Low	12.8x	11.9x	14.6x	13.4x
High	20.3x	18.4x	24.6x	22.0x
Mean	16.9x	15.6x	19.1x	17.1x
Median	16.4x	16.0x	18.7x	17.9x

Selected Transactions Metrics Analysis

Using publicly available information, TudorPickering calculated multiples of Implied GP Equity Value to Projected Combined GP Interest Cash Flow for 2010 and 2011, based on the implied purchase prices paid for Combined GP Interests in selected publicly announced transactions. The selected transactions were chosen because the target companies were deemed to be similar to Holdings in one or more respects, including the fact that they are holding companies of general partners and other interests in MLPs. TudorPickering separated the selected transactions into two groups based on whether the general partners were entitled to receive 45% or more of any incremental distributions coming from the underlying MLP. Those transactions where the Public GPs were entitled to receive 45% or more of any incremental distributions from the underlying MLP are referred to as the High Split Transactions. TudorPickering then calculated these multiples for Holdings based on Management s Status Quo using Holdings fiscal year. Holdings is entitled to receive 45% or more of incremental distributions from Inergy.

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The following table sets forth the selected transactions reviewed:

Acquirer	Target
First Reserve Corporation/Crestwood Midstream Partners II, LLC	Quicksilver Gas Services GP LLC
Buckeye Partners, L.P.	Buckeye GP Holdings L.P.
Energy Transfer Equity, L.P.	Regency GP LP
Quintana Capital Group, L.P.	Genesis Energy, LLC
Magellan Midstream Partners, L.P.	Magellan Midstream Holdings, L.P.
MarkWest Energy Partners, L.P.	MarkWest Hydrocarbons, Inc.
General Electric Capital Corporation	Regency GP LP
ArcLight Capital Partners, LLC, Kelso & Company and Lehman Brothers Holdings Inc.	Buckeye GP Holdings L.P.
Morgan Stanley Capital Group	TransMontaigne Inc.
Plains All American Pipeline, L.P.	Pacific Energy Partners, L.P.
Enterprise GP Holdings L.P.	TEPPCO GP, Inc.
Valero L.P.	Kaneb Services LLC
ONEOK, Inc.	Northern Plains Natural Gas Company, LLC
Enterprise Products Partners L.P.	GulfTerra Energy Company, L.L.C.

The following table sets forth the results of these analyses:

	Public GP Equity Value as a Multiple of Projected Total Cash Flow			Implied GP Equity Value as a Multiple of Projected Combined GP Interest Cash Flow		
	Last Twelve Months	Next Fiscal Year	Subsequent Fiscal Year	Last Twelve Months	Next Fiscal Year	Subsequent Fiscal Year
Holdings Implied Multiples:						
Management s Status Quo	28.4x	25.1x	26.0x	30.2x	26.8x	28.0x
All Transactions Implied Multiples:						
High	30.6x	34.5x	25.6x	184.9x	137.1x	81.5x
Low	12.1x	9.5x	6.1x	12.1x	9.5x	6.1x
Median	19.0x	18.6x	16.6x	21.8x	22.1x	20.0x
Mean	19.8x	19.4x	16.1x	58.7x	46.2x	28.8x
High Split Transactions Implied Multiples:						
High	30.6x	28.0x	25.6x	30.7x	28.1x	25.7x
Low	12.1x	9.5x	6.1x	12.1x	9.5x	6.1x
Median	15.4x	14.1x	12.9x	15.4x	14.0x	12.6x
Mean	18.4x	16.2x	13.8x	18.6x	16.3x	13.8x

Relative Discounted Cash Flow Analysis

TudorPickering utilized a discounted cash flow analysis to derive relative valuation ranges for the Combined GP Interest per Holdings common unit and each Inergy LP unit, which were then used to calculate implied exchange ratios. A discounted cash flow analysis is a traditional valuation methodology used to derive a valuation of an asset by calculating the present value of estimated future cash flows of the asset. Present value refers to the current value of future cash flows or amounts and is obtained by discounting those future cash flows or amounts by a discount rate that takes into account macroeconomic assumptions and estimates of risk, the opportunity cost of capital, expected returns and other appropriate factors. The terminal multiple is a factor multiplied by the forecasted cash flows for the final year of the forecast period to estimate the future value of the entity, which value is then discounted back to the present using the chosen discount rate and added to the present value of the estimated future cash flows to attain an estimate of, in this case, the equity value of the firm.

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TudorPickering performed a discounted cash flow analysis of Holdings using each of the Forecasts, terminal multiples of 16x to 20x for the Combined GP Interest and 12x to 16x for the Inergy LP units and discount rates of 14% to 18% for the Combined GP Interest and 11% to 15% for the Inergy LP units. In determining the appropriate discount rates to use in its analysis, TudorPickering considered, among other things, current and historical distribution yields and historical and expected distribution growth rates for selected propane and pipeline MLPs and Public GPs. TudorPickering also considered the implied cost of equity for Holdings, Inergy and selected propane and pipeline MLPs and Public GPs using standard valuation techniques such as the capital asset pricing model. TudorPickering also analyzed the trading multiples of selected comparable publicly traded MLPs and selected comparable Public GPs and selected acquisitions of Public GPs in determining the appropriate terminal multiples.

TudorPickering then divided the implied Combined GP Interest valuation obtained by the discounted cash flow analysis described above by the number of Holdings common units on a fully diluted basis as of August 5, 2010 to calculate the Implied GP Equity Value per Holdings common unit. The implied value per Inergy LP unit was derived by performing the discounted cash flow analysis on a per unit basis, taking into account dilution from the assumed issuance of future limited partner units to fund growth capital. TudorPickering then divided the number of Inergy LP units owned by Holdings by the number of fully diluted Holdings common units as of August 5, 2010 to derive the implied Inergy unit ownership per Holdings unit. TudorPickering then divided the low point of the valuation range for the Implied GP Equity Value of each Holdings common unit by the high point of the valuation range for the Inergy LP units and added the implied Inergy LP unit ownership per Holdings common unit to derive the low end of the implied exchange ratio range and divided the high point of the valuation range for the Implied GP Equity Value of each Holdings unit by the low point of the valuation range for the Inergy LP units and added the implied Inergy unit ownership per Holdings unit to derive the low end of the implied exchange ratio range. TudorPickering repeated this analysis for each of the Forecasts. TudorPickering then compared the resulting implied exchange ratio range to the exchange ratio in the merger of 0.770 Inergy LP units for each Holdings common unit.

Below is a table summarizes the results of TudorPickering s relative discounted cash flow analysis:

	Implied Combined GP Equity Value per Holdings Common Unit		Implied LP Unit Ownership per Holdings Common Unit	Inergy Value per Inergy LP Unit		Implied Exchange Ratio	
	Low	High		Low	High	Low	High
Management s Status Quo	$ 13.62	$ 18.53	0.075x	$ 28.58	$ 40.11	0.415x	0.723x
Management s Base Case	$ 15.33	$ 20.94	0.075x	$ 29.06	$ 40.81	0.451x	0.796x
Base Case Sensitivity	$ 17.94	$ 24.61	0.075x	$ 30.18	$ 42.46	0.498x	0.890x

Contribution Analysis

TudorPickering compared the exchange ratio in the merger of 0.770 Inergy LP units for each Holdings common unit to implied exchange ratios derived by comparing the relative contribution of distributable cash flow and distributed cash flow attributed to the Inergy LP units not owned by Holdings and the Holdings common units using the three Forecasts for 2011-2015. Distributable cash flow is assumed to be 105% of distributed cash flow in all cases, reflecting a coverage ratio of the Inergy distribution of 1.05x actual cash distributed. In order to derive the implied exchange ratios, TudorPickering divided (a) the quotient of the distributable or distributed cash flow attributable to the Holdings common units for the various cases and the outstanding number of Holdings common units by (b) the quotient of the distributable or distributed cash flow attributable to the Inergy LP units other than those owned by Holdings and the outstanding number of Inergy LP units not held by Holdings.

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The following table summarizes the results of TudorPickering s contribution analysis.

	Implied Exchange Ratio	
	Low	High
Distributable Cash Flow		
Management s Status Quo	0.484x	0.541x
Management s Base Case	0.485x	0.542x
Base Case Sensitivity	0.490x	0.558x
Distributed Cash Flow		
Management s Status Quo	0.463x	0.521x
Management s Base Case	0.464x	0.522x
Base Case Sensitivity	0.469x	0.539x

Pro Forma Combination Analysis

TudorPickering analyzed the pro forma impact of the merger on the estimated distributable cash flow and distributed cash flow to the holders of Inergy LP units and Holdings common units, in each case on a per unit basis for the years 2011 through 2015 based on the three Forecasts and the three Forecasts as adjusted to assume that on a pro forma basis Inergy will achieve synergies from the merger enabling it to reduce annual general and administrative expenses by $1 million and to execute an additional $300 million of growth capital projects annually throughout the forecasted period at a 9.0x EBITDA multiple. The following table shows the ranges of accretion and dilution (in parentheses) to projected distributable cash flow and projected distributed cash flow for each of the three Forecasts and the three Forecasts on a pro forma basis from fiscal 2011 through fiscal 2015.

	Distributable Cash Flow		Distributed Cash Flow	
	Distributable Cash Flow of Holdings	Distributable Cash Flow of Inergy	Distributed Cash Flow of Holdings	Distributed Cash Flow of Inergy
Management s Status Quo	22.8% - 31.6%	(16.6)% - (12.8)%	26.0 - 35.6%	(17.7)% - (13.9)%
Management s Base Case	15.0% - 29.5%	(15.9)% - (9.9)%	17.9% - 33.4%	(17.1)% - (11.0)%
Base Case Sensitivity	6.8% - 26.8%	(15.0)% - (6.3)%	9.3% - 30.5%	(16.2)% - (7.4)%
Management s Status Quo with Pro Forma Capex	33.0% - 40.2%	(13.4)% - (0.5)%	36.7% - 43.9%	(14.6)% - (1.8)%
Management s Base Case with Pro Forma Capex	28.2% - 34.3%	(12.8)% - 1.6%	31.5% - 38.3%	(14.0)% - 0.3%
Base Case Sensitivity with Pro Forma Capex	18.5% - 31.4%	(11.9)% - 3.9%	21.3% - 35.3%	(13.1)% - 2.7%

PIK Analysis

TudorPickering calculated the cash retained by Inergy in fiscal 2011 and 2012 as a result of the PIK Recipients receiving Class B units instead of Inergy LP units in the merger in each of the three Forecasts both with and without the assumed $300 million in additional growth capital expenditures. The following tables show the aggregate amount of the shortfall or surplus in coverage for the current distribution of $2.82 per Inergy LP unit assuming no Class B units were issued, the amount of cash distributions foregone by the recipients of the Class B units and the resulting shortfall or surplus in coverage on the distribution (dollars in millions).

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No Pro Forma Capex Synergies

	Management s Status Quo		Management s Base Case		Base Case Sensitivity	
	2011 Estimated	2012 Estimated	2011 Estimated	2012 Estimated	2011 Estimated	2012 Estimated
Distributed cash flow (shortfall) surplus without Class B units	$ (48)	$ (46)	$ (44)	$ (37)	$ (38)	$ (23)
Distributions paid in Class B units	$ 35	$ 19	$ 35	$ 19	$ 35	$ 19
Remaining amount of distributed cash flow (shortfall) surplus	$ (14)	$ (27)	$ (10)	$ (19)	$ (3)	$ (5)

With Pro Forma Capex Synergies

	Management s Status Quo		Management s Base Case		Base Case Sensitivity	
	2011 Estimated	2012 Estimated	2011 Estimated	2012 Estimated	2011 Estimated	2012 Estimated
Distributed cash flow (shortfall) surplus without Class B units	$ (37)	$ (22)	$ (33)	$ (14)	$ (26)	$ 1
Distributions paid in Class B units	$ 35	$ 19	$ 35	$ 19	$ 35	$ 19
Remaining amount of distributed cash flow (shortfall) surplus	$ (2)	$ (3)	$ 2	$ 5	$ 9	$ 19

September 22 Opinion

At a meeting of the Holdings Conflicts Committee held on September 22, 2010, TudorPickering delivered to the Holdings Conflicts Committee its oral opinion (which was subsequently confirmed in writing) that, as of September 22, 2010, and based upon and subject to the factors and assumptions set forth in the September 22 opinion, the consideration to be paid to the unaffiliated Holdings unitholders pursuant to the merger agreement, was fair, from a financial point of view, to the unaffiliated Holdings unitholders.

The September 22 opinion speaks only as of the date it was delivered and not as of the time the merger will be completed or any other time. The September 22 opinion does not reflect any circumstances, developments or events that may occur or have occurred since September 22, 2010, which could significantly alter the value of Holdings or Inergy or the trading prices of the Holdings common units or the Inergy LP units, which are among the factors on which TudorPickering s opinion was based.

The full text of TudorPickering s September 22 opinion, dated as of September 22, 2010, which sets forth, among other things, the assumptions made, procedures followed, matters considered, and qualifications and limitations of the review undertaken by TudorPickering in rendering its opinion, is attached as Annex E to this proxy statement/prospectus and is incorporated herein by reference. The summary of TudorPickering s September 22 opinion set forth in this proxy statement/prospectus is qualified in its entirety by reference to the full text of the written opinion. The holders of the Holdings common units are urged to read TudorPickering s September 22 opinion carefully and in its entirety. TudorPickering provided its opinion for the information and assistance of the Holdings Conflicts Committee in connection with its consideration of the merger. The TudorPickering opinion does not constitute a recommendation to any holder of Holdings common units as to how such unitholder should vote with respect to the merger or any other matter.

TudorPickering s August 7 opinion, September 22 opinion and its presentation to the Holdings Conflicts Committee were among many factors taken into consideration by the Holdings Conflicts Committee in making its recommendation regarding the merger.

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In connection with rendering its September 22 opinion described above and performing its related financial analyses, TudorPickering reviewed the following, among other things:

- the merger agreement;
- the form of the Holdings amended and restated partnership agreement;
- the form of the Inergy amended and restated partnership agreement;
- the support agreement;
- annual reports to unitholders and Annual Reports on Form 10-K of Holdings and Inergy for the two years ended September 30, 2009;
- certain interim reports to unitholders and Quarterly Reports on Form 10-Q of Holdings and Inergy;
- certain current reports on Form 8-K of Holdings and Inergy;
- draft earnings releases and draft Quarterly Reports on Form 10-Q of Holdings and Inergy for the quarter ended June 30, 2010;
- certain other communications from Holdings and Inergy to their respective unitholders;
- certain internal financial information and forecasts for Holdings and Inergy prepared by senior management, showing the pro forma effect of the Tres Palacios acquisition and related financing transactions, as reviewed, adjusted and approved for our use by the Holdings Conflicts Committee (the Forecasts);
- the Inergy prospectus dated September 8, 2010 used in connection with the public offering of Inergy LP Units;
- the Purchase and Sale Agreement;
- certain publicly available research analyst reports with respect to the future financial performance of Holdings and Inergy, which TudorPickering discussed with senior management and the Holdings Conflicts Committee; and
- certain cost savings and operating synergies projected by senior management to result from the merger, as reviewed and approved for TudorPickering s use by the Holdings Conflicts Committee (the Synergies).

TudorPickering also held discussions with members of senior management and the Holdings Conflicts Committee regarding their assessment of the strategic rationale for, and the potential benefits of, the merger and the past and current business operations, financial condition and future prospects of Holdings, Inergy and their respective subsidiaries. In addition, TudorPickering reviewed the reported unit price and trading activity

for Holdings common units and Inergy LP units, compared certain financial and stock market information for Holdings and Inergy with similar information for certain other companies the securities of which are publicly traded, compared the financial terms of the original merger agreement with the financial terms of certain recent business combinations in the midstream sector of the energy industry, including business combinations involving MLPs, and performed such other studies and analyses, and considered such other factors, as TudorPickering considered appropriate.

For purposes of its opinion, TudorPickering assumed and relied upon, without assuming any responsibility for independent verification, the accuracy and completeness of all of the financial, accounting, legal, tax and other information provided to, discussed with or reviewed by or for it, or publicly available. In that regard, TudorPickering assumed with the Holdings Conflicts Committee s consent that the Forecasts and Synergies were reasonably prepared on a basis reflecting the best estimates available at that time and judgments of senior management and the Holdings Conflicts Committee and that such Forecasts and Synergies will be realized in the amounts and within the time periods contemplated thereby. TudorPickering also assumed that all governmental,

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regulatory and other consents or approvals necessary for the consummation of the merger and the acquisition of Tres Palacios will be obtained without any material adverse effect on Holdings, any of the other parties to the merger agreement, the holders of Holdings common units or the expected benefits of the merger and the acquisition of Tres Palacios in any meaningful way to TudorPickering s analysis and assumed that the merger and the acquisition of Tres Palacios will be consummated on the terms described in the merger agreement or the Purchase and Sale Agreement, as the case may be, without any waiver or modification of any material terms or conditions. In addition, TudorPickering has not made an independent evaluation or appraisal of the assets and liabilities (including any contingent, derivative or off-balance-sheet assets and liabilities) of Holdings, Inergy or any of their respective subsidiaries or of Tres Palacios, and has not been furnished with any such evaluation or appraisal.

TudorPickering s opinion is necessarily based upon the economic, monetary, market and other conditions as in effect on, and the information made available to it as of, September 22, 2010. TudorPickering has not assumed and has disclaimed expressly any responsibility or obligation to update, revise or reaffirm its opinion based on circumstances, developments or events occurring after the date of its opinion.

The estimates contained in TudorPickering s analyses and analyses based upon forecasts of future results are not necessarily indicative of future results, which may be significantly more or less favorable than suggested by such analyses. In addition, analyses relating to the value of businesses or assets neither purport to be appraisals nor do they necessarily reflect the prices at which businesses or assets may actually be sold. Accordingly, as TudorPickering s analyses and estimates are based upon numerous factors and events beyond the control of the parties and their respective advisors, they are inherently subject to substantial uncertainty, and none of TudorPickering, Holdings, the Holdings Conflicts Committee or any other person assumes responsibility if future results are materially different from those forecasts.

TudorPickering s opinion does not address the relative merits of the merger or the acquisition of Tres Palacios as compared to any alternative transaction that might be available to Holdings, nor does it address the underlying business decision of Holdings to engage in the merger or of Inergy to acquire Tres Palacios. TudorPickering s opinion relates solely to the fairness, from a financial point of view, to the unaffiliated Holdings unitholders of the consideration to be paid pursuant to the merger agreement to such holders. TudorPickering does not express any view on, and its opinion does not address, any other term or aspect of the merger agreement, the Holdings amended and restated partnership agreement, the Inergy amended and restated partnership agreement, the support agreement, the merger or the acquisition of Tres Palacios, including, without limitation, the fairness of the merger or the acquisition of Tres Palacios to, or any consideration received in connection therewith by, creditors or other constituencies of Holdings or Inergy; nor as to the fairness of the amount or nature of any compensation to be paid or payable to any of the officers, directors or employees of Holdings or Inergy, or any other class of such persons, in connection with the merger, whether relative to the consideration to be received by the holders of Holdings common units pursuant to the merger agreement or otherwise. TudorPickering has not been asked to consider, and its opinion does not address, the price at which Holdings common units will trade at any time. TudorPickering did not render any legal, regulatory, tax or accounting advice to the Holdings Conflicts Committee in connection with the merger.

The following is a summary of the material analyses employed and factors considered by TudorPickering in rendering its September 22 opinion to the Holdings Conflicts Committee. The following summary, however, does not purport to be a complete description of the financial analyses performed by TudorPickering, nor does the order of analyses described represent relative importance or weight given to those analyses by TudorPickering. Some of the summaries of the financial analyses described below include information presented in tabular format. The tables must be read together with the full text of each summary and alone are not a complete description of TudorPickering s financial analyses. Except as otherwise noted, the following quantitative information, to the extent that it is based on market data, is based on market data as it existed on or before September 21, 2010 and is not necessarily indicative of current market conditions.

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Summary of Valuation Methodologies

TudorPickering evaluated the fairness of the merger consideration by using the following valuation methodologies:

- historical exchange ratio analysis;
- premiums paid analysis;
- selected trading metrics analysis;
- selected transaction metrics analysis;
- relative discounted cash flow analysis;
- contribution analysis;
- pro forma combination analysis; and
- PIK analysis.

In performing its evaluation analysis, TudorPickering analyzed data under three different Forecasts, as generally described below:

- The first case, which is referred to below as September 22 Management s Status Quo, was prepared by senior management and reflects the forecasted performance of Inergy s existing business as well as planned organic growth projects and contracted acquisitions, including Tres Palacios, and assumes a $7.5 million rebate to Inergy from Holdings related to the acquisition of Tres Palacios. Please read Unaudited Financial Projections of Inergy and Holdings.

- The second case, which is referred to below as September 22 Management s Base Case, was prepared by senior management and assumes $75 million per year of unidentified acquisitions or growth projects, with cash flow based on an 8.0x EBITDA multiple, no EBITDA growth over time and incremental maintenance capital expenditures equal to 2.5% of EBITDA of the acquired businesses, and a $7.5 million rebate to Inergy from Holdings related to the acquisition of Tres Palacios. TudorPickering assumed additional growth capital expenditures were financed both with new debt in an amount equal to 3.75x forward year projected EBITDA bearing interest at a 7.0% interest rate, before an initial purchasers discount of 2.5%, and with equity issued at a yield of 7.3%, before an underwriting and marketing discount of 7%. Please read Unaudited Financial Projections of Inergy and Holdings.

- The third case, which is referred to below as September 22 Base Case Sensitivity, was prepared by TudorPickering at the direction of, and as reviewed and approved by, the Holdings Conflicts Committee, and assumes $75 million in 2011 and $150 million per year thereafter of unidentified acquisitions, with earnings based on a 7.0x EBITDA multiple, no EBITDA growth over time and

incremental maintenance capital expenditures equal to 2.5% of EBITDA of the acquired businesses and a $7.5 million rebate to Inergy from Holdings related to the acquisition of Tres Palacios. TudorPickering assumed these additional growth capital expenditures were financed both with new debt in an amount equal to 3.75x the acquired businesses forward year projected EBITDA bearing interest at an 7.0% interest rate, before an initial purchasers discount of 2.5%, and with equity issued at a yield of 7.3%, before an underwriting and marketing discount of 7%.

Historical Exchange Ratio Analysis

TudorPickering compared the exchange ratio in the merger of 0.770 Inergy LP units for each Holdings common unit to selected implied historical exchange ratios between Holdings and Inergy derived by dividing the closing price of a Holdings common unit by the closing price of an Inergy LP unit as of August 6, 2010 and by

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averaging the exchange ratios calculated daily during selected trading periods from June 21, 2005, the date of the IPO of Holdings common units, through August 6, 2010, which represents the final trading day prior to the announcement of the merger.

The following table sets forth the results of these analyses:

	Average Exchange Ratio
August 6, 2010 closing	0.734x
3-Month Average	0.687x
6-Month Average	0.668x
1-Year Average	0.604x
2-Year Average	0.526x
Average since Holdings IPO (June 21, 2005)	0.474x

Premiums Paid Analysis

TudorPickering reviewed certain publicly available information related to selected general partner transactions, arms -length MLP transactions and related party MLP transactions to calculate the amount of the premiums paid by the acquirers to the target companies unitholders or stockholders. TudorPickering calculated the premiums paid one, seven and 30 calendar days prior to the first public announcement of an offer by the acquirer in the following transactions:

General Partners

Announcement Date of Final Offer	Target	Acquirer
9/21/2010	Penn Virginia GP Holdings, L.P	Penn Virginia Resource Partners, L.P.
9/7/2010	Enterprise GP Holdings L.P.	Enterprise Products Partners L.P.
6/11/2010	Buckeye GP Holdings L.P.	Buckeye Partners L.P.
3/3/2009	Magellan Midstream Holdings, L.P.	Magellan Midstream Partners, L.P.
11/3/2009	Hiland Holdings GP, LP	Harold Hamm
9/5/2007	MarkWest Hydrocarbon, Inc.	MarkWest Energy Partners LP
6/19/2006	TransMontaigne Inc.	Morgan Stanley Capital Group Inc.
11/1/2004	Kaneb Services LLC	Valero L.P.

	1 Calendar Day Prior	7 Calendar Days Prior	30 Calendar Days Prior
Mean	23%	23%	26%
Median	22%	21%	24%

Arms-Length MLPs

Announcement Date of Final Offer	Target	Acquirer
6/12/2006	Pacific Energy Partners L.P.	Plains All-American Pipeline L.P.
11/1/2004	Kaneb Pipe Line Partners L.P.	Valero L.P.
12/15/2003	GulfTerra Energy Partners L.P.	Enterprise Products Partners L.P.
10/20/1997	Santa Fe Pacific Pipeline Partners L.P.	Kinder Morgan Energy Partners L.P.

	1 Calendar Day Prior	7 Calendar Days Prior	30 Calendar Days Prior
Mean	16%	16%	19%
Median	16%	14%	17%

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Related Party MLPs

Announcement Date of Final Offer	Target	Acquirer
5/24/1010	Williams Pipeline Partners L.P.	Williams Partners L.P.
6/29/2009	TEPPCO Partners, L.P.	Enterprise Products Partners L.P.
4/27/2009	Atlas Energy Resources, LLC	Atlas America, Inc.
11/3/2009	Hiland Partners, LP	Harold Hamm

	1 Calendar Day Prior	7 Calendar Days Prior	30 Calendar Days Prior
Mean	9%	5%	29%
Median	4%	4%	33%

The implied premiums to holders of Holdings common units for the 1, 7 and 30 calendar day periods ending August 6, 2010, which represents the final trading day prior to the announcement of the merger, were 5%, 7% and 19%, respectively.

Selected Trading Metrics Analysis

TudorPickering reviewed and compared certain financial, operating and stock market information for three publicly traded holding companies of general partners of MLPs (Public GPs) Alliance Holdings GP, L.P., Energy Transfer Equity L.P.. and NuStar GP Holdings, LLC. TudorPickering did not include certain Public GPs, such as Atlas Pipeline Holdings, L.P. and Crosstex Energy, Inc., that have suspended paying distributions and are therefore seen as distressed, nor did TudorPickering include Buckeye Partners, L.P., Enterprise GP Holdings L.P., or Penn Virginia GP Holdings, L.P which are the subject of pending merger transactions.

For each of the comparable Public GPs, using third-party research estimates and publicly available information, TudorPickering calculated the estimated multiples for 2010 and 2011 of (a) total equity value to total cash flow received from the underlying MLP and (b) the implied equity value (the Implied GP Equity Value) of the combined general partner interest and incentive distribution rights owned by the Public GP (but excluding any common or subordinated or similar units of the underlying MLP) (the Combined GP Interest) to projected cash flow from the underlying MLP attributable to the Combined GP Interest for the next two forward years (Projected Combined GP Interest Cash Flow). For each comparable Public GP, TudorPickering calculated the total equity value by multiplying the number of common units outstanding as of the most recently reported date by the closing price per common unit on September 17, 2010 and calculated the Implied GP Equity Value by subtracting the current market value of limited partner units owned by the Public GP from the total equity value. The cash flow attributable to the Combined GP Interest includes the cash flow that such Public GP would be entitled to receive in respect of its general partner interest and incentive distribution rights, less any general and administrative expenses of the Public GP, and the cash flow attributable to the Public GP includes the cash flow that such Public GP would be entitled to receive in respect of its general partner interest, incentive distribution rights and limited partner interests, less any general and administrative expenses of the Public GP. TudorPickering then calculated these multiples for Holdings based on Management s Status Quo forecast for fiscal years ending September 30, 2010 and 2011.

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The following table sets forth the results of these analyses:

	Equity Value as a Multiple of Cash Flow Received from the Underlying MLP		Implied GP Equity Value as a Multiple of Cash Flow Received from Combined GP Interest	
	2010 Estimated	2011 Estimated	2010 Estimated	2011 Estimated
September 22 Management s Status Quo	22.5x	22.5x	24.0x	24.2x
Comparable GPs:				
Low	16.3x	14.6x	16.1x	14.2x
High	20.4x	17.6x	21.9x	18.6x
Mean	17.9x	16.2x	19.2x	17.0x
Median	16.9x	16.5x	19.5x	18.3x

Selected Transactions Metrics Analysis

Using publicly available information, TudorPickering calculated multiples of Implied GP Equity Value to Projected Combined GP Interest Cash Flow for 2010 and 2011, based on the implied purchase prices paid for Combined GP Interests in selected publicly announced transactions. The selected transactions were chosen because the target companies were deemed to be similar to Holdings in one or more respects, including the fact that they are holding companies of general partners and other interests in MLPs. TudorPickering separated the selected transactions into two groups based on whether the general partners were entitled to receive 45% or more of any incremental distributions coming from the underlying MLP. Those transactions where the Public GPs were entitled to receive 45% or more of any incremental distributions from the underlying MLP are referred to as the High Split Transactions. TudorPickering then calculated these multiples for Holdings based on Management s Status Quo using Holdings fiscal year. Holdings is entitled to receive 45% or more of incremental distributions from Inergy.

The following table sets forth the selected transactions reviewed:

Acquirer	Target
Penn Virginia Resource Partners, L.P.	Penn Virginia GP Holdings, L.P
Enterprise Products Partners L.P.	Enterprise GP Holdings L.P.
First Reserve Corporation/Crestwood Midstream Partners II, LLC	Quicksilver Gas Services GP LLC
Buckeye Partners, L.P.	Buckeye GP Holdings L.P.
Energy Transfer Equity, L.P.	Regency GP LP
Quintana Capital Group, L.P.	Genesis Energy, LLC
Magellan Midstream Partners, L.P.	Magellan Midstream Holdings, L.P.
MarkWest Energy Partners, L.P.	MarkWest Hydrocarbons, Inc.
General Electric Capital Corporation	Regency GP LP
ArcLight Capital Partners, LLC, Kelso & Company and Lehman Brothers Holdings Inc.	Buckeye GP Holdings L.P.
Morgan Stanley Capital Group	TransMontaigne Inc.
Plains All American Pipeline, L.P.	Pacific Energy Partners, L.P.
Enterprise GP Holdings L.P.	TEPPCO GP, Inc.
Valero L.P.	Kaneb Services LLC
ONEOK, Inc.	Northern Plains Natural Gas Company, LLC
Enterprise Products Partners L.P.	GulfTerra Energy Company, L.L.C.

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The following table sets forth the results of these analyses:

	Public GP Equity Value as a Multiple of Projected Total Cash Flow			Implied GP Equity Value as a Multiple of Projected Combined GP Interest Cash Flow		
	Last Twelve Months	Next Fiscal Year	Subsequent Fiscal Year	Last Twelve Months	Next Fiscal Year	Subsequent Fiscal Year
Holdings Implied Multiples:						
September 22 Management s Status Quo	25.5x	22.5x	22.5x	27.1x	24.0x	24.2x
All Transactions Implied Multiples:						
High	35.3x	34.5x	23.8x	184.9x	137.1x	88.9x
Low	12.1x	9.5x	6.1x	12.1x	9.5x	6.1x
Median	20.0x	20.6x	16.6x	23.6x	22.8x	20.0x
Mean	20.5x	19.3x	16.3x	54.8x	42.9x	27.5x
High Split Transactions Implied Multiples:						
High	26.7x	24.4x	22.3x	26.8x	24.5x	22.4x
Low	12.1x	9.5x	6.1x	12.1x	9.5x	6.1x
Median	16.1x	14.4x	13.5x	18.9x	15.5x	14.4x
Mean	18.0x	16.0x	13.8x	19.1x	16.6x	14.0x

Relative Discounted Cash Flow Analysis

TudorPickering utilized a discounted cash flow analysis to derive relative valuation ranges for the Combined GP Interest per Holdings common unit and each Inergy LP unit, which were then used to calculate implied exchange ratios. A discounted cash flow analysis is a traditional valuation methodology used to derive a valuation of an asset by calculating the present value of estimated future cash flows of the asset. Present value refers to the current value of future cash flows or amounts and is obtained by discounting those future cash flows or amounts by a discount rate that takes into account macroeconomic assumptions and estimates of risk, the opportunity cost of capital, expected returns and other appropriate factors. The terminal multiple is a factor multiplied by the forecasted cash flows for the final year of the forecast period to estimate the future value of the entity, which value is then discounted back to the present using the chosen discount rate and added to the present value of the estimated future cash flows to attain an estimate of, in this case, the equity value of the firm.

TudorPickering performed a discounted cash flow analysis of Holdings using each of the Forecasts, terminal multiples of 16x to 20x for the Combined GP Interest and 12x to 16x for the Inergy LP units and discount rates of 14% to 18% for the Combined GP Interest and 11% to 15% for the Inergy LP units. In determining the appropriate discount rates to use in its analysis, TudorPickering considered, among other things, current and historical distribution yields and historical and expected distribution growth rates for selected propane and pipeline MLPs and Public GPs. TudorPickering also considered the implied cost of equity for Holdings, Inergy and selected propane and pipeline MLPs and Public GPs using standard valuation techniques such as the capital asset pricing model. TudorPickering also analyzed the trading multiples of selected comparable publicly traded MLPs and selected comparable Public GPs and selected acquisitions of Public GPs in determining the appropriate terminal multiples.

TudorPickering then divided the implied Combined GP Interest valuation obtained by the discounted cash flow analysis described above by the number of Holdings common units on a fully diluted basis as of September 13, 2010 to calculate the Implied GP Equity Value per Holdings common unit. The implied value per Inergy LP unit was derived by performing the discounted cash flow analysis on a per unit basis, taking into account dilution from the assumed issuance of future limited partner units to fund growth capital. TudorPickering then divided the number of Inergy LP units owned by Holdings by the number of fully diluted Holdings common units as of September 13, 2010 to derive the implied Inergy unit ownership per Holdings unit. TudorPickering

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then divided the low point of the valuation range for the Implied GP Equity Value of each Holdings common unit by the high point of the valuation range for the Inergy LP units and added the implied Inergy LP unit ownership per Holdings common unit to derive the low end of the implied exchange ratio range and divided the high point of the valuation range for the Implied GP Equity Value of each Holdings unit by the low point of the valuation range for the Inergy LP units and added the implied Inergy unit ownership per Holdings unit to derive the low end of the implied exchange ratio range. TudorPickering repeated this analysis for each of the Forecasts. TudorPickering then compared the resulting implied exchange ratio range to the exchange ratio in the merger of 0.770 Inergy LP units for each Holdings common unit.

Below is a table summarizes the results of TudorPickering s relative discounted cash flow analysis:

	Implied Combined GP Equity Value per Holdings Common Unit		Implied LP Unit Ownership per Holdings Common Unit	Inergy Value per Inergy LP Unit		Implied Exchange Ratio	
	Low	High		Low	High	Low	High
September 22 Management s Status Quo	$ 15.10	$ 20.61	0.075x	$ 29.12	$ 40.94	0.444x	0.783x
September 22 Management s Base Case	$ 16.65	$ 22.80	0.075x	$ 29.53	$ 41.55	0.476x	0.847x
September 22 Base Case Sensitivity	$ 18.55	$ 25.50	0.075x	$ 30.45	$ 42.92	0.507x	0.912x

Contribution Analysis

TudorPickering compared the exchange ratio in the merger of 0.770 Inergy LP units for each Holdings common unit to implied exchange ratios derived by comparing the relative contribution of distributable cash flow and distributed cash flow attributed to the Inergy LP units not owned by Holdings and the Holdings common units using the three Forecasts for 2011-2015. Distributed cash flow is assumed to be based on a distribution to limited partners of the greater of $2.82 per unit multiplied by the number of fully diluted units per year or that implied by distributable cash flow divided by 1.05 in all cases. In order to derive the implied exchange ratios, TudorPickering divided (a) the quotient of the distributable or distributed cash flow attributable to the Holdings common units for the various cases and the outstanding number of Holdings common units by (b) the quotient of the distributable or distributed cash flow attributable to the Inergy LP units other than those owned by Holdings and the outstanding number of Inergy LP units not held by Holdings.

The following table summarizes the results of TudorPickering s contribution analysis.

	Implied Exchange Ratio	
	Low	High
Distributable Cash Flow		
September 22 Management s Status Quo	0.456x	0.649x
September 22 Management s Base Case	0.460x	0.660x
September 22 Base Case Sensitivity	0.463x	0.688x
Distributed Cash Flow		
September 22 Management s Status Quo	0.461x	0.621x
September 22 Management s Base Case	0.460x	0.632x
September 22 Base Case Sensitivity	0.460x	0.661x

Pro Forma Combination Analysis

TudorPickering analyzed the pro forma impact of the merger on the estimated distributable cash flow and distributed cash flow to the holders of Inergy LP units and Holdings common units, in each case on a per unit

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basis for the years 2011 through 2015 based on the three Forecasts and the three Forecasts as adjusted to assume that on a pro forma basis Inergy will achieve synergies from the merger enabling it to reduce annual general and administrative expenses by $1 million and to execute an additional $300 million of growth capital projects annually throughout the forecasted period at a 9.0x EBITDA multiple. The following table shows the ranges of accretion and dilution (in parentheses) to projected distributable cash flow and projected distributed cash flow for each of the three Forecasts and the three Forecasts on a pro forma basis from fiscal 2011 through fiscal 2015.

	Distributable Cash Flow		Distributed Cash Flow	
	Distributable Cash Flow of Holdings	Distributable Cash Flow of Inergy	Distributed Cash Flow of Holdings	Distributed Cash Flow of Inergy
September 22 Management s Status Quo	16.9% -38.0%	(16.8)% - (10.5)%	20.6% - 64.1%	(13.0)% - 0.0%
September 22 Management s Base Case	11.0% - 36.0%	(16.0)% - (7.9)%	14.4% - 61.8%	(11.2)% - 0.0%
September 22 Base Case Sensitivity	5.8% - 35.5%	(15.9)% - (5.4)%	8.8% - 62.1%	(9.8)% - 0.0%
September 22 Management s Status Quo with Pro Forma Capex	28.9% - 44.0%	(13.2)% - 0.4%	33.0% - 64.1%	(5.6)% - 0.0%
September 22 Management s Base Case with Pro Forma Capex	22.7% - 41.6%	(12.5)% - 2.3%	26.5% - 61.8%	(4.2)% - 0.9%
September 22 Base Case Sensitivity with Pro Forma Capex	17.3% - 41.1%	(12.5)% - 3.8%	19.4% - 62.1%	(3.2)% - 2.4%

PIK Analysis

TudorPickering calculated the cash retained by Inergy in fiscal 2011 and 2012 as a result of the PIK Recipients receiving Class B units instead of Inergy LP units in the merger in each of the three Forecasts both with and without the assumed $300 million in additional growth capital expenditures. The following tables show the aggregate amount of the shortfall or surplus in coverage for the current distribution of $2.82 per Inergy LP unit assuming no Class B units were issued, the amount of cash distributions foregone by the recipients of the Class B units and the resulting shortfall or surplus in coverage on the distribution (dollars in millions).

No Pro Forma Capex Synergies

	September 22 Management s Status Quo		September 22 Management s Base Case		September 22 Base Case Sensitivity	
	2011 Estimated	2012 Estimated	2011 Estimated	2012 Estimated	2011 Estimated	2012 Estimated
Distributed cash flow (shortfall) surplus without Class B units	$ (60)	$ (20)	$ (56)	$ (12)	$ (55)	$ (4)
Distributions paid in Class B units	$ 34	$ 18	$ 34	$ 18	$ 34	$ 18
Remaining amount of distributed cash flow (shortfall) surplus	$ (26)	$ (2)	$ (23)	$ 6	$ (21)	$ 14

With Pro Forma Capex Synergies

	September 22 Management s Status Quo		September 22 Management s Base Case		September 22 Base Case Sensitivity	
	2011 Estimated	2012 Estimated	2011 Estimated	2012 Estimated	2011 Estimated	2012 Estimated
Distributed cash flow (shortfall) surplus without Class B units	$ (50)	$ (0)	$ (46)	$ 0	$ (44)	$ 0
Distributions paid in Class B units	$ 34	$ 18	$ 34	$ 19	$ 34	$ 19
Remaining amount of distributed cash flow (shortfall) surplus	$ (16)	$ 18	$ (12)	$ 19	$ (11)	$ 19

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General

The preparation of a fairness opinion is a complex, analytical process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances and is not necessarily susceptible to partial analysis or summary description. In arriving at its opinions, TudorPickering used several analytical methodologies and did not attribute any particular weight to any particular methodology or factor considered by it. Moreover, each analytical methodology has inherent strengths and weaknesses, and the nature of the available information may further affect the value of particular techniques. Accordingly, TudorPickering believes that no one single method of analysis necessarily should be regarded as critical to the overall conclusion reached by TudorPickering and that its analyses must be considered as a whole. Selecting portions of TudorPickering s analyses and of the factors considered by it, without considering all analyses and factors in their entirety, could create a misleading or incomplete view of the evaluation process underlying TudorPickering s opinions. The conclusion reached by TudorPickering as to fairness, therefore, is based on the application of TudorPickering s own experience and judgment as to all analyses and factors considered by TudorPickering, taken as a whole.

No company or transaction used in the analyses above is identical to Holdings, Inergy or the merger. Accordingly, these analyses must take into account differences in the financial and operating characteristics of the selected companies, differences in the structure and timing of the selected transactions and other factors that would affect the public trading value and acquisition value of the companies considered.

The financial terms of the consideration were determined through arms -length negotiations between the Holdings Conflicts Committee and the Inergy Special Committee and were approved by each of these committees. TudorPickering participated in certain negotiations leading to the determination of the exchange ratio and provided advice to the Holdings Conflicts Committee during these negotiations. TudorPickering did not, however, recommend any specific financial terms of the consideration to the Holdings Conflicts Committee or assert that any specific financial terms of the transformation constituted the only appropriate financial terms of the consideration.

TudorPickering and its affiliates, as part of their investment banking business, are continually engaged in performing financial analyses with respect to businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and other transactions as well as for estate, corporate and other purposes. TudorPickering also engages in securities trading and brokerage, private equity activities, equity research and other financial services, and in the ordinary course of these activities, TudorPickering and its affiliates may from time to time acquire, hold or sell, for their own accounts and for the accounts of their customers, (i) equity, debt and other securities (or related derivative securities) and financial instruments (including bank loans and other obligations) of Holdings, any of the other parties to the original merger agreement and any of their respective affiliates and (ii) any currency or commodity that may be involved in the merger and the other matters contemplated by the merger agreement. In addition, TudorPickering and its affiliates and certain of its employees, including members of the team performing services in connection with the merger, as well as certain private equity funds associated or affiliated with TudorPickering in which they may have financial interests, may from time to time acquire, hold or make direct or indirect investments in or otherwise finance a wide variety of companies, including Holdings, other prospective purchasers and their respective affiliates.

Other than with respect to acting as financial advisor to the Holdings Conflicts Committee, TudorPickering has not provided investment banking services to, or otherwise had any material relationship with, Holdings, Inergy or any of their respective affiliates. TudorPickering may provide investment banking and other financial services to Holdings, Inergy or to any of the other parties to the merger agreement or their respective unitholders, affiliates or portfolio companies in the future. In connection with such investment banking or other financial services, TudorPickering may receive compensation.

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The Holdings Conflicts Committee selected TudorPickering to act as its financial advisor, and to render fairness opinions, in connection with the merger because of TudorPickering s expertise, reputation, familiarity and experience with the energy industry, including recent business combinations in the midstream sector of the energy industry and recent business combinations involving MLPs. Pursuant to the terms of the engagement letter dated July 22, 2010, between TudorPickering and the Holdings Conflicts Committee, Holdings paid TudorPickering a fee of $1,000,000 upon delivery of TudorPickering s August 7 opinion and has agreed to pay TudorPickering $750,000 for delivery of the September 22 opinion. In addition, Holdings has agreed to pay TudorPickering an additional fee of $3,000,000, reduced by the August 7 opinion fee of $1,000,000 and $250,000 of the September 22 opinion fee, upon closing of the merger. In addition, Holdings has agreed to reimburse TudorPickering for its reasonably incurred out-of-pocket expenses resulting from or arising out of the engagements, including fees and expenses of its legal counsel. Holdings has also agreed to indemnify TudorPickering, its affiliates and their respective officers, directors, partners, agents, employees and controlling persons against various liabilities, including certain liabilities under the federal securities laws.

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FORWARD-LOOKING STATEMENTS

This proxy statement/prospectus, including information included or incorporated by reference in this proxy statement/prospectus, contains certain forward-looking statements with respect to the financial condition, results of operations, plans, objectives, intentions, future performance and business of each of Inergy and Holdings and other statements that are not historical facts, as well as certain information relating to the merger, including, without limitation:

- statements relating to the financial projections described under Special Factors Unaudited Financial Projections of Inergy and Holdings and to the benefits of the merger;
- statements relating to the financial results of Inergy following consummation of the merger;
- statements preceded by, followed by or that include the words believes, anticipates, plans, predicts, expects, envisions, hopes, estimates, intends, will, continue, may, potential, should, confident, could or similar expressions; and
- statements relating to the net income or loss and distributions of Inergy contained in Material U.S. Federal Income Tax Consequences of the Transactions Effect of Transactions on the Anticipated Ratio of Taxable Income to Cash Distribution for Holdings Unitholders at page 128.

These forward-looking statements involve certain risks and uncertainties. Actual results may differ materially from those contemplated by the forward-looking statements due to, among others, the factors discussed under Risk Factors beginning on page 25, as well as the following factors:

- the possibility that Holdings may be unable to obtain unitholder approval required for the merger;
- the possibility that the businesses may suffer as a result of uncertainty surrounding the merger;
- the possibility that the industry may be subject to future regulatory or legislative actions;
- other uncertainties in the industry;
- environmental risks;
- competition;
- the ability of the management of Inergy GP to execute its plans for Inergy following consummation of the merger to meet its goals;
- the ability of Inergy to close the Tres Palacios acquisition;

general economic conditions, whether internationally, nationally or in the regional and local market areas in which Inergy is doing business, may be less favorable than expected; and

other economic, governmental, legislative, regulatory, geopolitical and technological factors may negatively impact the businesses, operations or financial conditions of Inergy and Holdings.

Additional factors that could cause actual results to differ materially from those expressed in the forward-looking statements are discussed in reports filed with the SEC by Inergy and Holdings. Please read Where You Can Find More Information beginning on page 163.

Forward-looking statements speak only as of the date of this proxy statement/prospectus or the date of any document incorporated by reference in this proxy statement/prospectus. All subsequent written and oral forward-looking statements concerning the merger or other matters addressed in this proxy statement/prospectus and attributable to Inergy or Holdings or any person acting on their behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Except to the extent required by applicable law or regulation, neither Inergy nor Holdings undertakes any obligation to update forward-looking statements to reflect events or circumstances after the date of this proxy statement/prospectus or to reflect the occurrence of unanticipated events.

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THE PARTIES TO THE MERGER AGREEMENT

Inergy, L.P.

Inergy is a publicly traded Delaware limited partnership. Inergy owns and operates a geographically diverse retail and wholesale propane supply, marketing and distribution business. Inergy s propane business includes the retail marketing, sale and distribution of propane, including the sale and lease of propane supplies and equipment, to residential, commercial, industrial and agricultural customers. In addition to its propane operations, Inergy also owns and operates a midstream business that includes three natural gas storage facilities, a liquefied petroleum gas storage facility, a natural gas liquids business and a solution-mining and salt production company.

The executive offices of Inergy are located at Two Brush Creek Boulevard, Suite 200, Kansas City, Missouri 64112. The telephone number is (816) 842-8181.

Inergy Holdings, L.P.

Holdings is a publicly traded Delaware limited partnership. Holdings owns the following direct and indirect partnership interests:

- a 100% non-economic limited liability company interest in Inergy GP, the managing general partner of, and owner of the non-economic general partner interest in, Inergy;
- a 100% limited liability company interest in Inergy Partners, a the non-managing general partner of Inergy, which currently owns an approximate 0.6% economic general partner interest in Inergy;
- 4,706,689 Inergy LP units, representing an approximate 6.0% limited partner interest in Inergy, consisting of (i) the 1,080,453 Inergy LP units directly owned by Holdings that will be distributed to Holdings unitholders as part of the merger consideration, and (ii) an aggregate of 3,626,236 Inergy LP units directly owned by IPCH and Inergy Partners, wholly owned subsidiaries of Holdings, which will be converted into Class A units of equivalent value in connection with the merger; and
- all of Inergy s IDRs.

The IDRs entitle Holdings to receive amounts equal to specified percentages of the incremental amount of cash distributed by Inergy to the holders of Inergy LP units when target distribution levels for each quarter are exceeded. The target distribution levels begin at $0.33 and increase in steps to the highest target distribution level of $0.45 per eligible Inergy LP unit. When Inergy makes quarterly distributions above $0.45 per eligible Inergy LP unit, the incentive distributions include an amount equal to 48% of the incremental cash distributed to each eligible Inergy unitholder for the quarter. The Inergy IDRs currently participate at the maximum 48% target cash distribution level in all distributions made by Inergy above the current distribution level.

The executive offices of Holdings are located at Two Brush Creek Boulevard, Suite 200, Kansas City, Missouri 64112. The telephone number is (816) 842-8181.

NRGP MS, LLC

NRGP MS, LLC, which we sometimes refer to as MergerCo, is a direct wholly owned subsidiary of Holdings GP, the general partner of Holdings. MergerCo was formed solely for the purpose of consummating the merger. MergerCo has not carried on any activities to date, except for activities incidental to its formation and activities undertaken in connection with the transactions contemplated by the merger agreement.

Relationship of the Parties

Holdings directly owns all of the non-economic limited liability company interests in Inergy GP, which is the managing general partner of Inergy. Holdings directly owns all of the capital stock of IPCH, which owns

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789,202 Inergy LP units, representing approximately 1.0% of the outstanding Inergy LP units. Holdings directly and indirectly owns all of the limited liability company interests of Inergy Partners, which owns 2,837,034 Inergy LP units, representing approximately 3.6% of the outstanding Inergy LP units, and an approximate 0.6% economic general partner interest in Inergy. Holdings directly owns 1,080,453 Inergy LP units, representing approximately 1.4% of the outstanding Inergy LP units, and all of Inergy s IDRs.

Since Holdings IPO in June 2005, distributions by Inergy have increased from $0.510 per Inergy LP unit for the quarter ended June 30, 2005 to $0.705 per Inergy LP unit for the quarter ended June 30, 2010. As a result, distributions from Inergy to Holdings have increased.

The following table summarizes the cash Holdings received for the years ended September 30, 2007, 2008 and 2009 and the nine months ended June 30, 2010 as a result of its direct and indirect ownership of partnership interests in Inergy (in millions):

	Year Ended September 30,			Nine Months Ended June 30,
	2007	2008	2009	2010
Incentive distribution payments from Inergy	$ 27.1	$ 35.8	$ 46.5	$ 47.8
Distributions from the ownership of economic general partner interest	1.4	1.5	1.6	1.3
Distributions from the direct and indirect ownership of 4,706,689 Inergy LP units	9.7	11.5	12.3	9.7
	$ 38.2	$ 48.8	$ 60.4	$ 58.8

In addition, Messrs. John J. Sherman, Warren H. Gfeller and Arthur B. Krause serve as members of both the Holdings Board and Inergy Board. The executive officers of Holdings GP are also executive officers of Inergy GP.

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INFORMATION ABOUT THE HOLDINGS SPECIAL MEETING AND VOTING

The Holdings Board is using this proxy statement/prospectus to solicit proxies from the holders of Holdings common units for use at the Holdings special meeting. In addition, this proxy statement/prospectus constitutes a prospectus for the offering of Inergy LP units to be received by Holdings unitholders pursuant to the merger. Holdings is first mailing this proxy statement/prospectus and accompanying proxy to Holdings unitholders on or about October 2, 2010.

	Holdings Special Meeting
Time, Place and Date	10:00 a.m., local time, November 2, 2010 at Holdings principal executive offices located at Two Brush Creek Boulevard, Suite 200, Kansas City, Missouri 64112.
Admission to Special Meeting	All Holdings unitholders are invited to attend the Holdings special meeting. Persons who are not Holdings unitholders may attend only if invited by Holdings. If you own units in street or nominee name, you must bring proof of ownership (e.g., a current broker s statement) in order to be admitted to the Holdings special meeting.
Purpose of Special Meeting	1. To consider and vote upon the approval of the merger, the merger agreement and the transactions contemplated thereby; and 2. To consider and vote upon any proposal to transact such other business as may properly come before the Holdings special meeting and any adjournment or postponement thereof.
Recommendation of the Holdings Conflicts Committee and the Holdings Board	The Holdings Conflicts Committee has determined that the merger, the merger agreement and the transactions contemplated thereby are fair and reasonable to, and in the best interest of, Holdings and the unaffiliated Holdings unitholders and recommended that the Holdings Board approve the merger, the merger agreement and the transactions contemplated thereby. Based in part on the Holdings Conflicts Committee s determination and recommendation, the Holdings Board has unanimously approved (with the board member who is also a member of management recusing himself) the merger, the merger agreement and the transactions contemplated thereby, and recommends that the Holdings unitholders vote FOR the proposal to approve the merger, the merger agreement and the transactions contemplated thereby.
Vote Necessary	The affirmative vote of the holders of a majority of the outstanding Holdings common units entitled to vote as of the record date is required to approve the proposal described above. Please also read Support Agreement.

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	Holdings Special Meeting
Record Date	October 1, 2010.
Outstanding Units Held	As of October 1, 2010, there were 62,171,774 Holdings common units outstanding.
Unitholders Entitled to Vote	Holdings unitholders entitled to vote at the Holdings special meeting are Holdings unitholders of record at the close of business on October 1, 2010. Each Holdings common unit is entitled to one vote.
Quorum Requirement	A quorum of Holdings unitholders is necessary to hold a valid special meeting. The presence in person or by proxy at the Holdings special meeting of holders of a majority of the outstanding Holdings common units constitutes a quorum at the Holdings special meeting. Abstentions and broker non-votes count as present for establishing a quorum. An abstention will be the equivalent of a vote AGAINST all of the matters to be voted upon. Broker non-votes will have the same effect as a vote AGAINST all of the matters to be voted upon. An abstention occurs when a Holdings unitholder abstains from voting (either in person or by proxy) on one or more of the proposals. A broker non-vote occurs on an item when a broker is not permitted to vote on that item without instruction from the beneficial owner of Holdings common units and no instruction by the Holdings unitholder on how to vote is given.
Units Beneficially Owned by Directors and Executive Officers	The directors and executive officers of Holdings GP beneficially owned an aggregate of 33.6 million Holdings common units as of October 1, 2010, representing approximately 54.1% of the total voting power of Holdings voting securities.
Support Agreement	The Holdings Supporting Unitholders have agreed to attend the Holdings special meeting and have conditionally agreed to vote in favor of the approval and adoption of the merger agreement, the approval of the merger and any other action required in furtherance thereof pursuant to the support agreement. These units constitute approximately 57.9% of all outstanding Holdings common units. The Holdings Supporting Unitholders beneficially own a sufficient number of Holdings common units to approve the merger, the merger agreement and the transactions contemplated thereby.

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	Holdings Special Meeting
Proxies	You may vote in person by ballot at the Holdings special meeting or by submitting a proxy. Please submit your proxy even if you plan to attend the Holdings special meeting. If you attend the Holdings special meeting, you may vote by ballot, thereby canceling any proxy previously given.
	Voting instructions are included on your proxy card. If you properly give your proxy and submit it to Holdings in time for it to be voted, one of the individuals named as your proxy will vote your Holdings common units as you have directed. You may vote for or against the proposals or abstain from voting.
How to Submit Your Proxy:	
By Mail:	To submit your proxy by mail, simply mark your proxy, date and sign it, and if you are a Holdings unitholder of record, return it to American Stock Transfer & Trust Company in the postage-paid envelope provided. If the envelope is missing, please address your completed proxy card to the address on your proxy card. If you are a beneficial owner, please refer to your proxy card or the information provided to you by your bank, broker, custodian or record holder.
By Telephone:	If you are a Holdings unitholder of record, you can submit your proxy by telephone by calling the toll-free telephone number on your proxy card. Telephone voting is available 24 hours a day and will be accessible until 11:59 p.m. on November 1, 2010. Easy-to-follow voice prompts allow you to submit your proxy and confirm that your instructions have been properly recorded. If you are a beneficial owner, please refer to your instruction card or the information provided by your bank, broker, custodian or record holder for information on submitting your voting instructions by telephone. **If you submit your proxy by telephone, you do not need to return your proxy card. If you are located outside the United States, Canada and Puerto Rico, please read your proxy card or other materials for additional instructions. If you hold Holdings common units through a broker or other custodian, please check the voting form used by that firm to see if it offers telephone voting.**

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	Holdings Special Meeting
By Internet:	You can also choose to submit your proxy on the internet. If you are a Holdings unitholder of record, the website for internet voting is on your proxy card. Internet voting is available 24 hours a day and will be accessible until 11:59 p.m. on November 1, 2010. If you are a beneficial owner, please refer to your instruction card or the information provided by your bank, broker, custodian or record holder for information on internet voting. As with telephone voting, you will be given the opportunity to confirm that your instructions have been properly recorded. **If you submit your proxy on the internet, you do not need to return your proxy card.** If you hold Holdings common units through a broker or other custodian, please check the voting form to see if it offers internet voting.
Revoking Your Proxy	If you submit a completed proxy card with instructions on how to vote your Holdings common units and then wish to revoke your instructions, you should submit a notice of revocation to American Stock Transfer & Trust Company as soon as possible. You may revoke your proxy by internet, telephone or mail at any time before it is voted by: timely delivery of a valid, later-dated proxy or timely submission of a later-dated proxy by telephone or internet; written notice to Holdings GP s Secretary before the Holdings special meeting that you have revoked your proxy; or voting by ballot at the Holdings special meeting.
Proxy Solicitation	In addition to this mailing, proxies may be solicited by directors, officers or employees of Holdings GP or its affiliates in person or by telephone or electronic transmission. None of the directors, officers or employees will be directly compensated for such services.
Adjournments	Pursuant to Holdings existing partnership agreement, Holdings GP may adjourn a meeting of the limited partners of Holdings. The number of Holdings common units owned by the Holdings Supporting Unitholders constitutes a quorum, and under the support agreement, the Holdings Supporting Unitholders have agreed to attend the Holdings special meeting and have conditionally agreed to vote in favor of the merger agreement, the merger and the transactions contemplated thereby, such that Holdings GP does not expect to adjourn the Holdings special meeting.

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	Holdings Special Meeting
Other Business	The Holdings Board is not currently aware of any business to be acted upon at the Holdings special meeting other than the matters described in this proxy statement/prospectus. If, however, other matters are properly brought before the Holdings special meeting, the persons appointed as proxies will have discretion to vote or act on those matters according to their judgment.
Contact/Assistance	Investor Relations Inergy Holdings, L.P. Attention: Mike Campbell (816) 842-8181 *investorrelations@inergyservices.com*

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THE PROPOSED MERGER

The following description of the material information about the merger, including the summary of the material terms and provisions of the merger agreement, is qualified in its entirety by reference to the more detailed annexes to this proxy statement/prospectus. We urge you to read all of the annexes to this proxy statement/prospectus in their entirety.

General

Inergy, Inergy GP, Holdings, Holdings GP, New NRGP LP and MergerCo have entered into the merger agreement as part of a plan to simplify the capital structures of Inergy and Holdings. Through a number of steps, MergerCo will merge with and into Holdings, the separate existence of MergerCo will cease and Holdings will survive and continue to exist as a Delaware limited partnership. In connection with and immediately following consummation of the merger, Holdings GP will continue to be the sole general partner of Holdings, and Holdings GP and New NRGP LP will remain as the only holders of limited partner interests in Holdings. As a result of the transactions contemplated by the merger agreement, the outstanding Holdings common units and the IDRs in Inergy that Holdings owns will be cancelled and trading of Holdings common units on the NYSE will cease.

In connection with the merger, Holdings will, as a component of the merger consideration, distribute to the Holdings unitholders the 1,080,453 Inergy LP units directly owned by Holdings (the Holdings LP units). In addition, Holdings will (i) exchange with Inergy the IDRs owned by Holdings and (ii) contribute to Inergy all of Holdings ownership interests in IPCH and Inergy Partners. The contribution and exchange described in (i) and (ii) above are collectively referred to as the GP Exchange. As consideration for the GP Exchange, Inergy (i) will deposit or cause to be deposited with an exchange agent, for the benefit of Holdings unitholders, approximately 35.2 million Inergy LP units (together with the Holdings LP units, the New LP units) and 11,568,560 Class B units in Inergy, (ii) will provide cash to be paid in lieu of any fractional New LP unit or Class B unit, as applicable, issuable upon exchange and (iii) has agreed to assume all of Holdings indebtedness under its credit agreements, of which approximately $24.5 million was outstanding as of October 1, 2010. Upon the GP Exchange, the IDRs will be cancelled and have no further force or effect, and the 789,202 Inergy LP units owned by IPCH and the 2,837,034 Inergy LP units and the approximate 0.6% economic general partner interest in Inergy owned by Inergy Partners will be converted into Class A units in Inergy of equivalent value. Class A units will not participate in the distributions or allocations from Inergy that are attributable to Inergy s interests in IPCH and Inergy Partners and will have no voting rights.

Pursuant to the merger agreement, each Holdings unitholder will be entitled to receive 0.77 Inergy LP units per Holdings common unit. As a result, the merger consideration will consist of (i) approximately 35.2 million Inergy LP units that will be issued by Inergy to the Holdings unitholders, (ii) 1,080,453 Inergy LP units directly owned by Holdings that will be distributed by Holdings to the Holdings unitholders, and (iii) 11,568,560 Class B units that will be issued by Inergy to the PIK Recipients. The exchange ratio represents an 8.9% premium to Holdings unitholders based on the 20-trading day average closing prices of Holdings common units and Inergy LP units ending August 6, 2010, the last trading day before the public announcement of the proposed merger.

The PIK Recipients have agreed to take a portion of their merger consideration in the form of Class B units in lieu of Inergy LP units. The Class B units will convert automatically into Inergy LP units on a one-for-one basis, with 50% of the outstanding Class B units converting into Inergy LP units following the payment date of the fourth quarterly distribution following the closing of the merger and the remaining outstanding Class B units converting into Inergy LP units following the payment date of the eighth quarterly distribution following the closing of the merger. Until the Class B units are converted into Inergy LP units, distributions on Class B units will be paid in additional Class B units issued in kind no later than 45 days after the end of each quarter following consummation of the merger.

Inergy unitholders will continue to own their existing Inergy LP units. Following consummation of the merger, Inergy will be owned approximately 60.4% by current Inergy unitholders and approximately 39.6% by former

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Holdings unitholders. Inergy LP units will continue to be traded on the NYSE under the symbol NRGY following consummation of the merger.

The merger agreement is attached as Annex A to this proxy statement/prospectus and is incorporated into this proxy statement/prospectus by reference. Please read the merger agreement carefully and fully as it is the primary legal document that governs the merger. For a summary of the merger agreement, please read The Merger Agreement beginning on page 97.

Effective Time

As soon as practicable after the satisfaction or waiver of the conditions to the merger, the certificate of merger will be filed with the Secretary of State of the State of Delaware in accordance with the relevant provisions of Delaware law. The merger will become effective when the certificate of merger is filed or at such later date and time as may be set forth in the certificate of merger.

Inergy and Holdings anticipate that the merger will be completed in the fourth quarter of the 2010 calendar year. However, the effective time of the merger could be delayed if there is a delay in satisfying any condition to the merger. There can be no assurances as to whether, or when, Holdings will obtain the required unitholder approval or complete the merger. If the merger is not completed on or before December 31, 2010, either Inergy or Holdings may terminate the merger agreement, unless the failure to complete the merger by that date is due to the failure of the party seeking to terminate the merger agreement to fulfill any material obligation under the merger agreement or a material breach of the merger agreement by such party. Please read The Merger Agreement Conditions to the Completion of the Merger beginning on page 107.

Transactions Related to the Merger

Amended and Restated Partnership Agreement

Immediately following the effective time of the merger, Inergy s existing partnership agreement will be amended and restated. Under Inergy s amended and restated partnership agreement: (i) the limited partner interest represented by the IDRs will be cancelled; (ii) the limited partner interests represented by Class A units, which will be issued to IPCH and Inergy Partners, will be established; (iii) the limited partner interests represented by Class B units, which will be issued to the PIK Recipients, will be established; (iv) Inergy Partners approximate 0.6% economic general partner interest (including rights to ownership, profit or any rights to receive distributions from operations or the liquidation of Inergy) will be eliminated, and Inergy Partners will withdraw as the non-managing general partner of Inergy; and (v) certain legacy provisions that are no longer applicable to Inergy will be eliminated.

For a summary of the amended and restated partnership agreement, please read The Amended and Restated Partnership Agreement of Inergy beginning on page 113.

The foregoing description of Inergy s amended and restated partnership agreement does not purport to be complete and is qualified in its entirety by reference to the full text of the form of amended and restated partnership agreement, which is attached as Annex B to this proxy statement/prospectus and is incorporated by reference into this proxy statement/prospectus.

Support Agreement

In connection with the execution of the merger agreement, Inergy entered into a support agreement with the Holdings Supporting Unitholders. As of October 1, 2010, the Holdings Supporting Unitholders beneficially owned 35,987,774 Holdings common units, representing approximately 57.9% of all outstanding Holdings

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common units. The Holdings Supporting Unitholders beneficially own a sufficient number of Holdings common units to approve the merger, the merger agreement and the transactions contemplated thereby.

Under the support agreement, the Holdings Supporting Unitholders conditionally agreed to vote their Holdings common units (a) in favor of the approval and adoption of the merger agreement (as amended, supplemented, restated or otherwise modified from time to time), the approval of the merger and any other action required in furtherance thereof, (b) against any acquisition proposal (as defined in the merger agreement), and (c) against any action, agreement or transaction that would or would reasonably be expected to materially impede, interfere with, delay, postpone, discourage, frustrate the purposes of or adversely affect the merger or the other transactions contemplated by the merger agreement. The support agreement terminates upon, among other things, the termination of the merger agreement or a change in recommendation by the Holdings Board. In addition, the support agreement will terminate immediately after December 31, 2010 unless all parties have agreed to a continuation of the support agreement beyond that date. For additional information, please read Interests of Certain Persons in the Merger Support Agreement.

The foregoing description of the support agreement is qualified in its entirety by reference to the full text of the support agreement, which is attached as Annex C to this proxy statement/prospectus and is incorporated by reference into this proxy statement/prospectus.

Amendment No. 1 to the Existing Partnership Agreement of Holdings

Prior to the effective time of the merger but in contemplation thereof, Holdings GP will amend Holdings existing partnership agreement to provide for the creation of the Holdings nonparticipating limited partner units. In general, under Amendment No. 1 to the existing partnership agreement of Holdings, the Holdings nonparticipating limited partner units will not (i) be entitled to allocations of Holdings income, gain, loss, deduction and credit, (ii) have the right to share in any distributions made to Holdings unitholders, (iii) be entitled to vote and (iv) be entitled to receive any merger consideration in connection with the merger. In connection with Amendment No. 1 to the existing partnership agreement of Holdings, Holdings GP and New NRGP LP will be admitted to Holdings as limited partners holding 99% and 1%, respectively, of the Holdings nonparticipating limited partner units.

The foregoing description of Amendment No. 1 to the existing partnership agreement of Holdings is qualified in its entirety by reference to the full text of the form of Amendment No. 1 to the existing partnership agreement of Holdings, which is included as an annex to the merger agreement that is attached as Annex A to this proxy statement/prospectus and is incorporated by reference into this proxy statement/prospectus.

Holdings Amended and Restated Agreement of Limited Partnership

After the effective time of the merger, Holdings existing partnership agreement, as amended by Amendment No. 1 thereto as described above, will be amended and restated. Under Holdings amended and restated partnership agreement, Holdings purpose will be limited to owning all of the limited liability company interests in, and being the sole member of, Inergy GP, and Holdings GP will cause Holdings not to engage, directly or indirectly, in any business activity other than the ownership, and being a member, of Inergy GP and immaterial or administrative actions related thereto, without the prior consent of the New NRGP LP.

Appraisal Rights

Holdings unitholders do not have appraisal rights under Holdings partnership agreement, the merger agreement or applicable Delaware law.

Restrictions on Sales of Inergy LP Units Received in the Merger

Inergy LP units to be issued to the Holdings unitholders in the merger will be registered under the Securities Act and may be traded freely and without restriction by those Holdings unitholders not deemed to be affiliates (as

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that term is defined under the Securities Act). Inergy LP units held by any such affiliates may be sold only pursuant to a registration statement or an exemption under the Securities Act. In the event that an affiliate is not included in a registration statement or such registration statement cannot be used, the affiliates may sell subject to the limitations under Rule 145 under the Securities Act. Upon the expiration of the limitations under Rule 145, the affiliates will be able to freely sell Inergy LP units they receive in connection with the merger.

An affiliate of Holdings is a person who directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with Holdings. These restrictions are expected to apply to the directors and executive officers of Holdings GP and the holders of 10% or more of Holdings outstanding common units. The same restrictions apply to the spouses and certain relatives of those persons and any trusts, estates, corporations or other entities in which those persons have a 10% or greater beneficial or equity interest. Inergy will give stop transfer instructions to the transfer agent with respect to Inergy LP units to be received by persons subject to these restrictions.

Restrictions on Transfers of Class B Units Received in the Merger

Under Inergy s amended and restated partnership agreement, prior to the second anniversary of the effective date of the merger, Class B unitholders may not transfer any Class B units without the prior written consent of Inergy. However, these restrictions will not apply to transfers to a grantor retained annuity trust, a family limited partnership or other similar estate planning entities controlled by such holder or transfers to a deceased holder s estate.

Listing of Inergy LP Units; Delisting and Deregistration of Holdings Common Units

It is a condition to the merger that Inergy LP units to be issued in the merger, and the Inergy LP units subject to issuance upon conversion of Class B units, be approved for listing on the NYSE, subject to official notice of issuance. If the merger is completed, Holdings common units will be cancelled, will cease to be listed on the NYSE and will be deregistered under the Exchange Act.

Accounting Treatment of the Merger

The merger between Holdings and Inergy will result in Holdings being treated as the surviving consolidated entity of the merger for accounting purposes, even though Inergy will be the surviving consolidated entity for legal and reporting purposes. The changes in ownership interest will be accounted for in accordance with Accounting Standards Codification 810 Consolidation as an equity transaction and no gain or loss will be recognized as a result of the merger.

Litigation

Since Inergy and Holdings first announced on August 9, 2010 their entry into the original merger agreement, five unitholder class action lawsuits have been filed by Holdings unitholders against Inergy, Holdings, Holdings GP, MergerCo, New NRGP LP, Inergy GP, Inergy Partners, John J. Sherman, Phillip L. Elbert, R. Brooks Sherman, Jr., Warren H. Gfeller, Arthur B. Krause and Richard T. O Brien (the Holdings Unitholder Lawsuits). Additionally, one unitholder class action lawsuit has been filed by Inergy unitholders against Inergy, Holdings, Inergy GP, John J. Sherman, Phillip L. Elbert, Warren H. Gfeller, Arthur B. Krause, Robert D. Taylor, R. Brooks Sherman, Jr., Andrew L. Atterbury, William C. Gautreaux, and Carl A. Hughes (the Inergy Unitholder Lawsuit).

The Holdings Unitholder Lawsuits are as follows: (i) *Daniel Himmel v. John J. Sherman et al*., No. 1016-CV24783, In the Circuit Court of Jackson County, Missouri, at Kansas City; (ii) *John Oliver v. Inergy Holdings, L.P. et al*., No. 1016-CV25524, In the Circuit Court of Jackson County, Missouri, at Kansas; (iii) *Peter D Orazio v. John J. Sherman et al*., No. 1016-CV25705, In the Circuit Court of Jackson County, Missouri, at

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Kansas City; (iv) *Harvey Silver v. John Sherman et al*., No. 1016-CV26112, In the Circuit Court of Jackson County, Missouri, at Kansas City; and (v) *David Lessard v. Inergy Holdings, L.P. et al*., No. 1016-CV27141, In the Circuit Court of Jackson County, Missouri, at Kansas City. The Inergy Unitholder Lawsuit is *G-2 Trading LLC v. Inergy GP, LLC et al.*, No. 5816, In the Court of Chancery of the State of Delaware.

The Holdings Unitholder Lawsuits allege a variety of causes of action challenging the proposed merger, including that the named directors and officers have breached their fiduciary duties in connection with the proposed merger and that the named entities have aided and abetted in these breaches of the directors and officers fiduciary duties. Specifically, the Holdings Unitholder Lawsuits allege, among other things, that (i) the consideration offered by Inergy is unfair and inadequate, (ii) the merger is structured to preclude other potential purchasers of Holdings from proposing a competing transaction, (iii) the named directors and officers have engaged in self-dealing and, through the merger, will obtain benefits not equally shared by the public unitholders of Holdings, and (iv) the Registration Statement on Form S-4 filed by Inergy on September 3, 2010 fails to disclose material information regarding the proposed merger.

With respect to the allegations that the proposed consideration is unfair and inadequate, the Holdings Unitholder Lawsuits allege that the premium offered by Inergy is only 4.8% greater than the closing price of Holdings common units on the trading day prior to the merger announcement. The Holdings Unitholder Lawsuits further allege that the premium fails to adequately compensate unitholders for the likely future performance and value of Holdings, especially given the alleged potential growth in incentive distributions that Inergy may owe to Holdings.

With respect to the allegations that the merger is structured to preclude competing alternative transactions, the Holdings Unitholder Lawsuits allege that the merger agreement requires Holdings to pay Inergy a $20 million termination fee if the merger is terminated under certain circumstances. The Holdings Unitholder Lawsuits also allege that minority unitholders lack the ability to reject the proposed merger because certain individual defendants, who collectively beneficially own a sufficient percentage of the outstanding Holdings common units to approve the merger without other unitholder approval, have agreed to vote in favor of the proposed merger. One of the Holdings Unitholder Lawsuits also alleges that the merger agreement provides only sixty days for solicitation of superior alternative transactions and provides an unfair mechanism for Inergy to outbid any competing transactions. Another of the Holdings Unitholder Lawsuits alleges that Holdings must notify Inergy of any competing offer and provide Inergy with an opportunity to match the competing offer.

With respect to the allegations that the named directors and officers have engaged in self-dealing and will obtain special benefits through the merger, the Holdings Unitholder Lawsuits allege that Richard T. O Brien, the only member of the Holdings Board that is not also a member of the Inergy Board, has been promised membership on the Inergy Board. At least one of the Holdings Unitholder Lawsuits also alleges that certain members of senior management have agreed to accept payment-in-kind securities that are allegedly superior to the Inergy LP units that other unitholders will receive for their Holdings common units.

With respect to the allegations that Inergy s Registration Statement on Form S-4 initially filed on September 3, 2010 fails to disclose material information regarding the proposed merger, two of the Holdings Unitholder Lawsuits allege that the registration statement fails to disclose various criteria, assumptions and factors used to estimate certain future financial results. These two lawsuits also allege that the registration statement fails to disclose various data, methodologies and assumptions relied on by Inergy s and Holdings respective financial advisors in making their recommendations. Additionally, one of these two lawsuits alleges that the registration statement fails to disclose certain events and actions surrounding the proposed merger, such as whether the Holdings Conflicts Committee evaluated any alternatives to the proposed merger.

Based on these allegations, the plaintiffs seek to enjoin the defendants from proceeding with or consummating the proposed merger until a procedure is adopted and implemented that will result in maximization of value for Holdings unitholders. Certain of the plaintiffs have filed motions to consolidate these

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actions for the appointment of a lead plaintiff and lead counsel and for expedited treatment of their claims. Currently, a hearing is scheduled for October 7, 2010 on one of the motions to consolidate and the motions for the appointment of lead plaintiff and lead counsel. To the extent that the merger is implemented before relief is granted, the plaintiffs seek to have the merger rescinded. The plaintiffs also seek damages and attorneys fees.

The Inergy Unitholder Lawsuit also alleges several causes of action challenging the proposed merger, including that the named directors and officers have breached Inergy s limited partnership agreement and their fiduciary duties in connection with the proposed merger. Specifically, the Inergy Unitholder Lawsuit alleges that Inergy is paying an excessive price to Holdings unitholders, thereby diluting the value of Inergy to its current unitholders. The consideration provided to Holdings unitholders, the Inergy Unitholder Lawsuit alleges, represents a 20.7% premium to Holdings unitholders and exceeds Holdings aggregate enterprise value by 27%. The Inergy Unitholder Lawsuit alleges that the proposed merger will reduce Inergy s public unitholders ownership in Inergy from 92% to 57% without providing an adequate return to Inergy unitholders so that the named directors and officers can avoid potential tax ramifications related to their Holdings common units.

Additionally, the Inergy Unitholder Lawsuit alleges several deficiencies in the process by which the named directors and officers are conducting the proposed transaction. First, the Inergy Unitholder Lawsuit alleges that the Holdings Conflicts Committee did not have the requisite number of members and will receive a legal opinion related to both Inergy and Holdings from a single, conflicted law firm. Second, the Inergy Unitholder Lawsuit alleges that Inergy is seeking to amend the Inergy partnership agreement without the approval of public unitholders. Third, the Inergy Unitholder Lawsuit alleges that Inergy has failed, as allegedly required by the partnership agreement, to determine whether the proposed merger adversely affects Inergy s limited partners. Fourth, the Inergy Unitholder Lawsuit alleges that the named directors and officers have agreed to vote in favor of the proposed merger, thereby eliminating the ability of Holdings unitholders to reject the proposed merger.

Based on these allegations, the Inergy Unitholder Lawsuit seeks to enjoin the defendants from proceeding with or consummating the proposed merger. To that end, the plaintiff in the Inergy Unitholder lawsuit has filed a motion for a temporary injunction and a motion for expedited treatment. A hearing on the motion for expedited treatment is scheduled for September 29, 2010. To the extent that the merger is implemented before relief is granted, the Inergy Unitholder Lawsuit seeks to have the merger rescinded. The Inergy Unitholder Lawsuit also seeks a declaration that the proposed merger and the amendment of Inergy s partnership agreement without unitholder approval is a breach of the partnership agreement. Finally, the Inergy Unitholder Lawsuit seeks damages and attorneys fees.

Defendants have not yet answered these lawsuits. Holdings and Inergy cannot predict the outcome of these lawsuits, or any others that might be filed subsequent to the date of the filing of this proxy statement/prospectus, nor can Holdings and Inergy predict the amount of time and expense that will be required to resolve the lawsuits. Holdings and Inergy intend to vigorously defend the actions.

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THE MERGER AGREEMENT

The following is a summary of the material terms of the merger agreement. Because this is a summary, it does not contain all information that may be important to you. You should read the entire proxy statement/prospectus and all of its annexes, including the merger agreement, carefully before you decide how to vote.

Explanatory Note Regarding Summary of the Merger Agreement

The summary of the terms of the merger agreement is intended to provide information about the material terms of the merger. The terms and information in the merger agreement should not be relied on as disclosures about Inergy or Holdings without consideration to the entirety of public disclosure by Inergy and Holdings as set forth in all of their respective public reports with the SEC. The terms of the merger agreement (such as the representations and warranties) govern the contractual rights and relationships, and allocate risks, between the parties in relation to the merger. In particular, the representations and warranties made by the parties to each other in the merger agreement have been negotiated between the parties with the principal purpose of setting forth their respective rights with respect to their obligation to close the merger should events or circumstances change or be different from those stated in the representations and warranties. Matters may change from the state of affairs contemplated by the representations and warranties. Inergy and Holdings will provide additional disclosure in their public reports to the extent that they are aware of the existence of any material facts that are required to be disclosed under federal securities laws and that might otherwise contradict the terms and information contained in the merger agreement and will update such disclosure as required by federal securities laws.

Closing Matters

Closing

Unless the parties agree otherwise, the closing of the merger will take place on the third business day after the closing conditions in the merger agreement have been satisfied or waived or such other time or date to which the parties agree in writing. Please read Conditions to the Completion of the Merger beginning on page 107 for a more complete description of the conditions that must be satisfied or waived prior to closing. The date on which the closing occurs is referred to as the closing date. The closing of the merger will take place at the offices of Vinson & Elkins in Houston, Texas at 9:00 a.m., local time, on the closing date.

Effective Time

As soon as practicable after the satisfaction or waiver of the conditions to the merger, the certificate of merger will be filed with the Secretary of State of the State of Delaware in accordance with the relevant provisions of Delaware law. The merger will become effective when the certificate of merger is filed or at such later date and time as may be set forth in the certificate of merger.

Merger Consideration

General

Pursuant to the merger agreement, among other things:

(a) at the effective time, in exchange for the consideration described in (b) below, Holdings will (i) as a component of the merger consideration, distribute to the Holdings unitholders the 1,080,453 Holdings LP units; (ii) exchange with Inergy the IDRs owned by Holdings and (iii) contribute to Inergy all of Holdings ownership interests in IPCH and Inergy Partners. The exchange and contribution described in clauses (ii) and (iii) are collectively referred to as the GP Exchange ;

(b) at closing, as consideration for the GP Exchange, Inergy (i) will deposit or cause to be deposited with an exchange agent, for the benefit of Holdings unitholders, approximately 35.2 million Inergy LP units

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and 11,568,560 Class B units in Inergy having such rights, preferences and limitations as are set forth in the amended and restated partnership agreement, (ii) will provide cash to be paid in lieu of any fractional New LP unit or Class B unit, as applicable, issuable upon exchange as described below, and (iii) has agreed to assume all of Holdings indebtedness under its credit agreements (as defined in the merger agreement), of which approximately $24.5 million was outstanding as of October 1, 2010;

(c) upon the GP Exchange, the IDRs will be cancelled and have no further force or effect and the 789,202 Inergy LP units owned by IPCH and the 2,837,034 Inergy LP units and the approximate 0.6% economic general partner interest in Inergy owned by Inergy Partners will be converted into Class A units in Inergy of equivalent value and having such rights, preferences and limitations as are set forth in the amended and restated partnership agreement; and

(d)(i) MergerCo will merge with and into Holdings, the separate existence of MergerCo will cease and Holdings will survive and continue to exist as a Delaware limited partnership, such that immediately following consummation of the merger, Holdings GP will continue to be the sole general partner of Holdings, and Holdings GP and New NRGP LP will remain as the only holders of limited partner interests in Holdings, and (ii) by virtue of the merger, each Holdings common unit that is issued and outstanding will be converted into the right to receive 0.77 Inergy LP units; except that with respect to the 11,568,560 Inergy LP units to which the PIK Recipients otherwise would be entitled to receive pursuant to the merger, the PIK Recipients will instead receive their respective shares of Class B units.

Exchange Procedures

Promptly after the effective time of the merger, Inergy will deposit with American Stock Transfer & Trust Company (the exchange agent in connection with the merger) sufficient cash, Inergy LP units and Class B units for the benefit of holders of Holdings common units to be converted as part of the merger consideration. Prior to the effective time of the merger, Holdings will also deposit with the exchange agent the Holdings LP units to be distributed to the Holdings unitholders as part of the merger consideration.

Promptly after the effective time of merger, the exchange agent will send a letter of transmittal to each person who was a holder of Holdings common units at the effective time of the merger. This letter will contain instructions on how to surrender certificates or non-certificated units represented by book-entry formerly representing Holdings common units in exchange for the merger consideration the holder is entitled to receive under the merger agreement.

Distributions with Respect to Unexchanged Holdings Common Units

After the effective time of the merger, former holders of Holdings common units will be entitled to (i) Inergy distributions payable with a record date after the effective time of the merger with respect to the number of Inergy LP units or Class B units, as applicable, to which they are entitled upon exchange of their Holdings common units, without interest and (ii) any distributions with respect to their Holdings common units with a record date occurring prior to the effective time of the merger that may have been declared or made by Holdings on such Holdings common units and which remain unpaid at the effective time of the merger. However, distributions on such Inergy LP units or Class B units, as they case may be, will not be paid until certificates or non-certificated units represented by book-entry formerly representing their Holdings common units are surrendered to the exchange agent in accordance with the exchange agent s instructions. After the close of business on the date on which the effective time of the merger occurs, there will be no transfers on the unit transfer books of Holdings with respect to any Holdings common units.

Fractional Units

Fractional Inergy LP units and Class B units will not be delivered pursuant to the merger. Instead, each holder of Holdings common units who would otherwise be entitled to receive fractional Inergy LP units or Class B units pursuant to the merger will be entitled to receive a cash payment in an amount equal to the product

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of (a) the volume weighted average trading price of Inergy LP units as reported by Bloomberg during the 20-trading day period ending on the third trading day immediately preceding the date on which the effective time of the merger occurs and (b) the fraction of an Inergy LP unit or Class B unit, as applicable, that such holder would otherwise be entitled to receive.

Termination of Exchange Fund

Any portion of the exchange fund consisting of New LP units, Class B units or cash that remains undistributed in accordance with the merger agreement, made available to the exchange agent that remains unclaimed by holders of Holdings common units after 180 days following the effective time of the merger will be returned to Inergy upon demand. Thereafter, a holder of Holdings common units must look only to Inergy for payment of the merger consideration, any cash in lieu of the issuance of fractional Inergy LP units or Class B units, as applicable, and any distributions with respect to Inergy LP units, Class B units or Holdings common units to which the holder is entitled under the terms of the merger agreement. Any amounts remaining unclaimed by holders of Holdings common units immediately prior to such time as such amounts would otherwise revert to or become the property of any governmental authority will, to the extent permitted by applicable law, become the property of Inergy free and clear of any liens, claims and interests.

Lost Unit Certificates

If a certificate formerly representing Holdings common units has been lost, stolen or destroyed, the exchange agent will issue the consideration properly payable under the merger agreement upon receipt of an affidavit as to that loss, theft or destruction, and, if required by Inergy, the posting of a bond in a reasonable amount as indemnity.

Withholding

Inergy, Holdings and the exchange agent will be entitled to deduct and withhold from the merger consideration payable to holders of Holdings common units the amounts it is required to deduct and withhold under the Internal Revenue Code or any state, local or foreign tax law. Withheld amounts will be treated for all purposes of the merger as having been paid to the respective Holdings unitholders.

Anti-Dilution Provisions

The merger consideration will be correspondingly adjusted if, at any time between the date of the original merger agreement and the effective time of the merger, there is any change in the outstanding Holdings common units or outstanding Inergy LP units by reason of any subdivision, reclassification, recapitalization, split, combination, or distribution in the form of equity interests with respect to such units.

Treatment of Holdings Equity Based Awards

Holdings Unit Options. Generally, each vested and unvested option to purchase Holdings common units (Holdings Unit Option) granted under the Amended and Restated Inergy Holdings, L.P. Long-Term Incentive Plan (the Holdings LTIP) outstanding immediately prior to the effective time of the merger and held by an employee or service provider of Holdings will be assumed by Inergy and converted into an option to purchase Inergy LP units to be issued pursuant to the Amended and Restated Long-Term Incentive Plan of Inergy (the Inergy LTIP). Each Holdings Unit Option assumed by Inergy will continue to have the same terms and conditions set forth in the Holdings LTIP except that they will be exercisable for that number of whole Inergy LP units equal to the product of the number of Holdings common units that were subject to such Holdings Unit Option immediately prior to the effective time multiplied by 0.77, rounded down to the nearest whole number of Inergy LP units, and the per unit exercise price for the Inergy LP units subject to such assumed Holdings Unit

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Option will be equal to the quotient determined by dividing the exercise price per Holdings common unit of such Holdings Unit Option immediately prior to the effective time by 0.77, rounded up to the nearest whole cent. To the extent any employee of Inergy GP would, pursuant to the conversion described above, hold an option to purchase Inergy LP units immediately following the effective time, the Holdings Unit Option held by such employee immediately prior to the effective time will be converted in a manner and into an award that does not subject the employee to additional taxes under section 409A of the Internal Revenue Code.

Holdings Restricted Units. Generally, each unvested Holdings restricted unit (Holdings Restricted Unit) granted under the Holdings LTIP outstanding immediately prior to the effective time of the merger will be assumed by Inergy and converted into a restricted Inergy LP unit to be issued pursuant to the Inergy LTIP. Each Holdings Restricted Unit assumed will continue to have the same terms and conditions set forth in the Holdings LTIP except that they will be converted into that number of restricted Inergy LP units with respect to whole Inergy LP units equal to the product of the number of Holdings common units that were subject to such Holdings Restricted Unit immediately prior to the effective time multiplied by 0.77, rounded down to the nearest whole number of Inergy LP units.

Holdings Unit Purchase Rights. Each outstanding right to purchase Holdings common units (Holdings Unit Purchase Right) under the Holdings Unit Purchase Plan will be assumed by Inergy and, except as provided below, will continue in effect on the same terms and conditions as in effect immediately prior to the effective time of the merger. Each Holdings Unit Purchase Right will be converted automatically into a right to purchase Inergy LP units (New Inergy LP Purchase Right). Each New Inergy LP Purchase Right will entitle the holder thereof to purchase the number of Inergy LP units determined under the terms and conditions of the Holdings Unit Purchase Plan. Effective at the effective time, Inergy (i) will assume the Holdings Unit Purchase Plan, (ii) will amend the Holdings Unit Purchase Plan to substitute references to Inergy LP units for references to Holdings common units therein, (iii) will make such other changes as will be necessary to assume the Holdings Unit Purchase Plan and New Inergy LP Purchase Rights, and (iv) will continue the Holdings Unit Purchase Plan with respect to the New Inergy LP Purchase Rights until the end of the purchase period under the Holdings Unit Purchase Plan in effect as of the effective time of the merger at which time the Holdings Unit Purchase Plan will be terminated.

Actions Pending the Merger

Each of the parties to the merger agreement have agreed that, without the prior written consent of the Holdings Conflicts Committee, it will not, and will cause its subsidiaries not to, during the period from the date of the original merger agreement until the effective time of the merger or the date, if any, on which the merger agreement is terminated, except as expressly contemplated or permitted by the merger agreement:

- conduct its business and the business of its subsidiaries other than in the ordinary and usual course of business;
- fail to use commercially reasonable best efforts to preserve intact its business organization, goodwill and assets and maintain its rights, franchises and existing relations with customers, suppliers, employees or business associates;
- take any action that would have a material adverse effect (as defined in the merger agreement);
- other than with respect to the grants of equity or other rights made in the ordinary and usual course pursuant to Inergy s long-term incentive plan and the amended and restated Inergy unit purchase plan and except as contemplated by the amendment to Holdings existing partnership agreement to be entered into in connection with the merger, (i) issue, sell or otherwise permit to become outstanding, or authorize the creation of, any additional equity, any appreciation rights or any rights, (ii) enter into any agreements with respect to such transactions, or (iii) permit any additional equity interests to become subject to new grants of employee unit options, unit appreciation rights or similar equity-based employee rights; except for any such action as would not have a material adverse effect;

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make, declare or pay any distribution (except regular quarterly cash distributions of available cash on the Inergy LP units in the ordinary course consistent with past practice) on or in respect of, or declare or make any distribution on, any shares of its equity securities;

except as provided in the merger agreement, split, combine or reclassify any of its equity interests or issue or authorize or propose the issuance of any other securities in respect of, in lieu of or in substitution for its equity interests;

except as contemplated by Inergy s compensation or benefit plans in effect on, or as required by the terms of its securities outstanding on, the date of the original merger agreement, repurchase, redeem or otherwise acquire, or permit any of its subsidiaries to purchase, redeem or otherwise acquire, any partnership interests;

merge, consolidate or enter into any other business combination transaction with any person or make any acquisition or disposition that would be likely to have a material adverse effect;

implement or adopt any material change in its accounting principles, practices or methods, except for changes required by law or generally accepted accounting principles;

fail to use commercially reasonable best efforts to maintain with financially responsible insurance companies, insurance in such amounts and against such risks and losses as has been customarily maintained by it in the past;

make or rescind any material express or deemed election relating to taxes, including elections for any and all joint ventures, partnerships, limited liability companies or other investments where it has the capacity to make such binding election;

settle or compromise any material claim, action, suit, litigation, proceeding, arbitration, investigation, audit or controversy relating to taxes;

change in any material respect any of its methods of reporting income or deductions for federal income tax purposes from those employed in the preparation of its federal income tax return for the most recent taxable year for which a return has been filed, except as may be required by applicable law, or permitted by the amended and restated partnership agreement;

(i) incur any indebtedness for borrowed money or guarantee any such indebtedness of others; (ii) enter into any material lease (whether operating or capital); (iii) create any lien on the property of Inergy or its subsidiaries in connection with any pre-existing indebtedness, new indebtedness or lease; or (iv) make or commit to make any capital expenditures; except for any such action as would not materially adversely affect Inergy s or Holdings ability to consummate the transactions contemplated by the merger agreement;

authorize, recommend, propose or announce an intention to adopt a plan of complete or partial dissolution or liquidation;

knowingly take any action that is intended or is reasonably likely to result in (i) any of its representations and warranties set forth in the merger agreement being or becoming untrue in any material respect at the closing date, (ii) any of the conditions to the merger not being satisfied, (iii) any material delay or prevention of the consummation of the merger or (iv) any material violation of any provision of the merger agreement, except, in each case, as may be required by law; or

agree or commit to do any of the prohibited actions described above.

Each of Holdings and Holdings GP have agreed that, without the prior written consent of the Inergy Special Committee, it will not, and will cause its subsidiaries not to, during the period from the date of the original merger agreement until the effective time of the merger or the date, if any, on which the merger agreement is terminated, except as expressly contemplated or permitted by the merger agreement:

conduct its business and the business of its subsidiaries other than in the ordinary and usual course of business;

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fail to use commercially reasonable best efforts to preserve intact its business organization, goodwill and assets and maintain its rights, franchises and existing relations with customers, suppliers, employees or business associates;

take any action that would have a material adverse effect;

other than with respect to grants of equity or other rights made in the ordinary and usual course pursuant to Holdings long-term incentive plan and Holdings employee unit plan, (i) issue, sell or otherwise permit to become outstanding, or authorize the creation of, any additional equity, any appreciation rights or any rights, (ii) enter into any agreements with respect to such transactions, or (iii) permit any additional equity interests to become subject to new grants of employee unit options, unit appreciation rights or similar equity-based employee rights;

make, declare or pay any distribution (except regular quarterly cash distributions of available cash on the Holdings common units in the ordinary course consistent with past practice) on or in respect of, or declare or make any distribution on, any shares of its equity securities;

split, combine or reclassify any of its equity interests or issue or authorize or propose the issuance of any other securities in respect of, in lieu of or in substitution for its equity interests;

except as contemplated by Holdings compensation or benefit plans in effect on, or as required by the terms of its securities outstanding on, the date of the original merger agreement, repurchase, redeem or otherwise acquire, or permit any of its subsidiaries to purchase, redeem or otherwise acquire, any partnership interests;

sell, lease, dispose of or discontinue any portion of its assets, business or properties, including, without limitation, the sale, disposition or transfer, in whole or in part, of (i) the IDRs, (ii) IPCH or (iii) Inergy Partners, which is material to it and its subsidiaries taken as a whole, or acquire, by merger or otherwise, or lease (other than by way of foreclosures or acquisitions of control in a bona fide fiduciary capacity or in satisfaction of debts previously contracted in good faith, in each case in the ordinary and usual course of business consistent with past practice) any assets or all or any portion of, the business or property of any other entity which, in either case, is material to it and its subsidiaries taken as a whole, or would be likely to have a material adverse effect;

amend the limited liability company agreement of Inergy GP, the existing partnership agreement of Inergy or the existing partnership agreement of Holdings other than in accordance with the merger agreement;

implement or adopt any material change in its accounting principles, practices or methods, except for changes required by law or generally accepted accounting principles;

fail to use commercially reasonable best efforts to maintain with financially responsible insurance companies, insurance in such amounts and against such risks and losses as has been customarily maintained by it in the past;

make or rescind any material express or deemed election relating to taxes, including elections for any and all joint ventures, partnerships, limited liability companies or other investments where it has the capacity to make such binding election;

settle or compromise any material claim, action, suit, litigation, proceeding, arbitration, investigation, audit or controversy relating to taxes;

change in any material respect any of its methods of reporting income or deductions for federal income tax purposes from those employed in the preparation of its federal income tax return for the most recent taxable year for which a return has been filed, except as may be required by applicable law;

(i) incur any indebtedness for borrowed money or guarantee any such indebtedness of others; (ii) enter into any material lease (whether operating or capital); (iii) create any lien on the property of Holdings or its subsidiaries in connection with any pre-existing indebtedness, new indebtedness or lease; or (iv) make or commit to make any capital expenditures;

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authorize, recommend, propose or announce an intention to adopt a plan of complete or partial dissolution or liquidation;

except in connection with obtaining unitholder approval of the merger or its consideration of a acquisition proposal as permitted under the merger agreement, knowingly take any action that is intended or is reasonably likely to result in (i) any of its representations and warranties set forth in the merger agreement being or becoming untrue in any material respect at the closing date, (ii) any of the conditions to the merger not being satisfied, (iii) any material delay or prevention of the consummation of the merger or (iv) any material violation of any provision of the merger agreement, except, in each case, as may be required by law; or

agree or commit to do any of the prohibited actions described above.

Representations and Warranties

The merger agreement contains representations and warranties made by each of the parties regarding aspects of their respective businesses, financial condition and structure, as well as other facts pertinent to the merger. Each of Holdings, Holdings GP and MergerCo, on the one hand, and Inergy and Inergy GP, on the other hand, has made representations and warranties to the other in the merger agreement with respect to the following subject matters:

existence, good standing and qualification and authority to conduct business;

capitalization;

existence, ownership, good standing and qualification of subsidiaries;

power and authorization to enter into and carry out the obligations of the merger agreement and the enforceability of the merger agreement;

compliance with laws;

defaults on contracts;

absence of any conflict or violation of organizational documents, third party agreements or law or regulation as a result of entering into and carrying out the obligations of the merger agreement;

filings and reports with the SEC and financial information;

fees payable to brokers;

tax matters;

regulatory approvals or consents required to complete the merger;

the Holdings Conflicts Committee recommendation and Holdings Board approval;

the Inergy Special Committee recommendation;

operations of MergerCo;

the opinion of the financial advisor to the Holdings Conflicts Committee; and

the opinion of the financial advisor to the Inergy Special Committee.

The representations and warranties contained in the merger agreement will not survive beyond the effective time of the merger.

Additional Covenants

Best Efforts

Each of the parties to the merger agreement has agreed to use its commercially reasonable best efforts in good faith to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper,

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desirable or advisable under applicable law to consummate the merger and the transactions contemplated by the merger agreement, including obtaining any third party approvals, having any injunction or restraining order or other order adversely affecting the consummation of the merger lifted or rescinded, defending any litigation seeking to enjoin, prevent or delay the consummation of the merger or seeking material damages, and cooperating fully with the other party and furnishing to the other party copies of all correspondence, filings and communications with the regulatory authorities. In complying with the commercially reasonable best efforts covenant, neither Inergy nor Holdings nor any of their subsidiaries is required to take measures that would have a material adverse effect on it or its subsidiaries taken as a whole.

Equity Holder Approval

Holdings has agreed to call, hold and convene a meeting of its unitholders. The purpose of the Holdings special meeting will be to consider and vote upon the approval of the merger, the approval and adoption of the merger agreement and any other matters required to be approved by Holdings unitholders for consummation of the merger. In the event of a Holdings change in recommendation, Holdings will not be required to call, hold or convene the Holdings special meeting.

Registration Statement

Each of Holdings and Inergy has agreed to cooperate in the preparation of the registration statement that includes this proxy statement/prospectus (and other proxy solicitation materials of Holdings) filed with the SEC in connection with the Holdings special meeting.

Press Releases

Prior to the termination of the merger agreement or any change in recommendation, if any, each of Holdings and Inergy will not, without the prior approval of the Holdings Board and the Holdings Conflicts Committee in the case of Holdings and the Inergy Board and the Inergy Special Committee in the case of Inergy, issue any press release or written statement for general circulation relating to the merger, except as otherwise required by applicable law or regulation or the applicable stock exchange rules, in which case it will consult with the other party before issuing any press release or written statement.

Access; Information

Upon reasonable notice, and subject to applicable laws relating to the exchange of information, each party and its subsidiaries will afford the other parties and their officers, employees, counsel, accountants and other authorized representatives access, throughout the period prior to the effective time of the merger, to all its properties, books, contracts, commitments and records and to its officers, employees, accountants, counsel and other representatives. Neither Holdings nor Inergy is required to provide access to or to disclose information where such access or disclosure would jeopardize the attorney-client privilege or contravene any law, rule, regulation, order, judgment, fiduciary duty or binding agreement entered into prior to the date of the original merger agreement.

Affiliate Arrangements

Holdings must deliver to Inergy a schedule of each person that is, or is reasonably likely to be, deemed an affiliate of Holdings within 15 days after the mailing of this proxy statement/prospectus. Holdings must use its commercially reasonable best efforts to prevent these affiliates from selling any securities received in connection with the merger in violation of the registration requirements of the Securities Act.

Takeover Laws

Neither Holdings nor Inergy will take any action that would cause the transactions contemplated by the merger agreement to be subject to requirements imposed by any takeover laws.

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No Rights Triggered

Each of Holdings and Inergy will take all steps necessary to ensure that the entering into of the merger agreement and the consummation of the transactions contemplated thereby will not result in the grant of any rights, including convertible securities, to any person under their respective partnership agreements or under any material agreement to which it or its subsidiaries is a party.

New York Stock Exchange

Inergy will use commercially reasonable best efforts to list the Inergy LP units to be issued to Holdings unitholders, and the Inergy LP units subject to issuance upon conversion of the Class B units to be issued to the PIK Recipients, on the NYSE prior to the effective time of the merger.

Third Party Approvals

Holdings and Inergy and their respective subsidiaries will cooperate and use their commercially reasonable best efforts to prepare all documentation, to effect all filings, to obtain, and comply with the terms and conditions of, all permits, consents, approvals and authorizations of all third parties and all regulatory approvals necessary to consummate the merger and to cause the merger to be consummated and the Inergy amended and restated partnership agreement to be effective as expeditiously as practicable.

Indemnification; Directors and Officers Insurance

Inergy will indemnify and hold harmless each person who is a director or officer of Holdings, Holdings GP or any of their subsidiaries, both as of the date of the original merger agreement and through the effective date of the merger, to the fullest extent permitted by law in connection with any threatened, asserted, pending or completed action and any losses, claims, damages, liabilities, costs, judgments, fines, penalties and amounts paid in settlement resulting from such person s service as a director or officer of Holdings, Holdings GP or their subsidiaries. Inergy will also pay for reasonably attorneys fees and all other reasonable costs, expenses and obligations paid or incurred in connection with investigating, defending, being a witness in or participating in such claim within ten days after any request for advancement.

For a period of six years from the effective time of the merger, the amended and restated partnership agreement will contain provisions no less favorable with respect to indemnification, advancement of expenses and limitations on liability of directors and officers than are set forth in Holdings existing partnership agreement, which provisions will not be amended, repealed or otherwise modified for a period of six years from the effective time of the merger in any manner that would affect adversely the rights thereunder of individuals who, at or prior to the effective time, were indemnified parties, unless such modification is required by law and then only to the minimum extent required by law.

Inergy will maintain for at least six years following the effective time of the merger, the current policies of directors and officers liability insurance maintained by Holdings, Holdings GP and their subsidiaries, except that Inergy may substitute policies of at least the same coverage and amounts containing terms and conditions which are not less advantageous to the directors and officers of Holdings, Holdings GP or their subsidiaries than the existing policy; provided, that Inergy is not required to pay annual premiums in excess of 300% of the last annual premium paid by Holdings or Holdings GP prior to the date of the original merger agreement. Such obligation of Inergy will be deemed to have been satisfied if prepaid tail policies have been obtained by Inergy with terms and carriers at least as favorable as the current policy.

All rights to indemnification, advancement of expenses and exculpation from liabilities for acts or omissions occurring at or prior to the effective time of the merger now existing in favor of existing indemnified parties, as provided in the Holdings agreement of limited partnership, will be assumed by Inergy and Inergy GP in the merger, without further action, at the effective time of the merger and will survive the merger and will continue in full force and effect in accordance with their terms.

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Notification of Certain Matters

Each of Holdings GP, Holdings, Inergy GP and Inergy will give prompt notice to the other of: (i) any fact, event or circumstance known to it that would cause or constitute a material breach of any of its representations, warranties, covenants or agreements contained in the merger agreement, and (ii) any change in its condition (financial or otherwise) or business or any litigation or governmental complaints, investigations or hearings, in each case, to the extent such change results in, or would reasonably be expected to result in, a material adverse effect.

Section 16(b) Matters

Holdings will take such steps as are reasonably requested by any party to the merger agreement to cause, as applicable, dispositions of the equity of Holdings (including derivative securities) by the directors and executive officers of Holdings GP to be exempt from the short-swing profit rules under Section 16(b) of the Exchange Act.

Amended and Restated Partnership Agreement

Inergy GP will execute and make effective the proposed amended and restated partnership agreement of Inergy.

Amendment No. 1 to the Holdings Partnership Agreement

Prior to the effective time, Holdings GP will execute and make effective Amendment No. 1 to the Holdings partnership agreement.

Solicitation of Other Offers by Holdings

General

Commencing on the sixty-first (61st) calendar day after this proxy statement/prospectus is first filed with the SEC (the window-shop period), none of Holdings GP, Holdings and its subsidiaries will, and they will use their commercially reasonable best efforts to cause their representatives not to, directly or indirectly:

knowingly initiate, solicit or encourage the submission of any acquisition proposal; or

participate in any discussions or negotiations regarding, or furnish to any person any non-public information with respect to, any acquisition proposal.

Acquisition Proposal. In this proxy statement/prospectus, the term acquisition proposal means any proposal or offer from or by any person other than Inergy, Inergy GP or MergerCo relating to (i) any direct or indirect acquisition of (a) more than 20% of the assets of Holdings and its subsidiaries, taken as a whole; (b) more than 20% of the outstanding equity securities of Holdings; or (c) a business or businesses that constitute more than 20% of the cash flow, net revenues, net income or assets of Holdings and its subsidiaries, taken as a whole; (ii) any tender offer or exchange offer that, if consummated, would result in any person beneficially owning more than 20% of the outstanding equity securities of Holdings; or (iii) any merger, consolidation, business combination, recapitalization, liquidation, dissolution or similar transaction involving Holdings, other than the merger.

Provision of Information in Connection with an Acquisition Proposal

Upon receipt of a solicited (prior to the expiration of the window-shop period) or an unsolicited written acquisition proposal that did not result from a knowing and intentional breach of the provisions described under General above, Holdings may furnish information to, including information pertaining to Inergy, or enter into or participate in any discussions or negotiations with, any person making such acquisition proposal if (i) the Holdings Board, after consultation with its outside legal counsel and financial advisors, determines in good faith that (a) such acquisition proposal constitutes or is likely to result in a superior proposal (as defined in the merger agreement) and (b) failure to take such action would be inconsistent with its fiduciary duties under the existing

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partnership agreement of Holdings and applicable law and (iii) Holdings receives an executed confidentiality agreement from such person prior to furnishing any non-public information; provided, however, that if Holdings receives an acquisition proposal that includes an Inergy Acquisition Proposal (as defined in the merger agreement), Holdings may, in its discretion, respond to a such person to indicate that Holdings cannot entertain an acquisition proposal that includes an Inergy Acquisition Proposal.

Holdings may not provide any non-public information or data pertaining to Inergy to the party making the acquisition proposal unless (i) the Holdings Board determines in good faith, after consultation with its outside legal advisors and financial advisors, that the provision of such non-public information or data pertaining to Inergy could possibly lead to a change in recommendation by the Holdings Board and (ii) Holdings has first required such party to execute a confidentiality agreement meeting the requirements of such agreements as set forth in the merger agreement, furnished a copy of such confidentiality agreement to Inergy, notified Inergy of the identity of such party and gives Inergy similar access to information. Holdings will promptly provide or make available to Inergy any non-public information concerning Holdings or any of its subsidiaries that is provided or made available to any such party. In addition, Inergy must provide to Holdings and to any such receiving party any non-public information or data pertaining to Inergy that Holdings reasonably requests. However, Holdings may not provide and Inergy will not be required to provide to any such party any information pertaining to Inergy where Holdings knows that the provision of such information would jeopardize the attorney-client privilege of the institution in possession or control of such information or contravene any law, rule, regulation, order, judgment, decree, fiduciary duty or binding agreement entered into prior to the date of the original merger agreement.

Change in Recommendation by the Holdings Board

Except as provided below, the Holdings Board may not (i) withdraw, modify or qualify in any manner adverse to Inergy its recommendation to the Holdings unitholders; (ii) publicly approve or recommend, or publicly propose to approve or recommend, any acquisition proposal; or (iii) approve, adopt or recommend, or publicly propose to approve, adopt or recommend, or allow Holdings or any of its subsidiaries to execute or enter into, any letter of intent, memorandum of understanding, agreement in principle, merger agreement, acquisition agreement, option agreement, joint venture agreement, partnership agreement or other similar contract or any tender or exchange offer providing for, with respect to or in connection with any acquisition proposal.

Notwithstanding the foregoing, at any time prior to obtaining the requisite Holdings unitholder approval, the Holdings Board may change its recommendation if it has concluded in good faith, after consultation with its outside legal counsel and financial advisors, that the failure to make a change in recommendation would be inconsistent with its fiduciary duties under the existing partnership agreement of Holdings and applicable law. However, the Holdings Board will not be entitled to make a change in recommendation unless Holdings and Holdings GP have (i) complied in all material respects with the provisions described under this section Solicitation of Other Offers by Holdings, (ii) provided Inergy and the Inergy Special Committee within two business days prior written notice advising that the Holdings Board intends to take such action and specifying the reasons therefor in reasonable detail, including, if applicable, the terms and conditions of any superior proposal that is the basis of the proposed action and the identity of the person making the proposal and contemporaneously providing a copy of all relevant proposed transaction documents and (iii) during such two business day period, engaged in good faith negotiations with Inergy to amend the merger agreement in such a manner that obviates the need for such change in recommendation, and (iv) if applicable, provided to Inergy all materials and information delivered or made available to the person making any superior proposal in connection with such superior proposal.

Conditions to the Completion of the Merger

The completion of the merger is subject to various conditions. While it is anticipated that all of these conditions will be satisfied, there can be no assurance as to whether or when all of the conditions will be satisfied or, where permissible, waived.

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Conditions to Each Party s Obligations. Each party s obligation to complete the merger is subject to the satisfaction or waiver of the following conditions:

- approval and adoption by the Holdings unitholders of the merger, the merger agreement and the transactions contemplated hereby;
- all filings required to be made prior to the effective time with, and all other consents, approvals, permits and authorizations required to be obtained prior to the effective time from, any regulatory authority in connection with the execution and delivery of the merger agreement and the consummation of the transactions contemplated by the merger agreement shall have been made or obtained, except where the failure to obtain such consents, approvals, permits and authorizations would not be reasonably likely to result in a material adverse effect on Inergy or Holdings;
- absence of any order, decree or injunction of any court or agency and law, statute or regulation that enjoins, prohibits or makes illegal any of the transactions contemplated by the merger agreement, and the absence of any action, proceeding or investigation by any regulatory authority regarding the merger or any of the transactions contemplated by the merger agreement;
- the registration statement has become effective and no stop order suspending the effectiveness of the registration statement has been issued and no proceedings for that purpose have been initiated or threatened by the SEC;
- approval by the NYSE of listing of Inergy LP units to be issued in the merger, and the Inergy LP units subject to issuance upon conversion of the Class B units to be issued to the PIK Recipients in the merger, subject to official notice of issuance; and
- the receipt by Inergy of any consent necessary in connection with assuming Holdings liabilities under Holdings credit agreements pursuant to the merger.

Additional Conditions to Holdings Obligations. The obligation of Holdings to complete the merger is subject to the satisfaction or waiver of the following conditions:

- the accuracy of Inergy s and Inergy GP s representations and warranties contained in the merger agreement both as of the date of the original merger agreement, the merger agreement and as of the closing date of the merger, in all material respects;
- the performance in all material respects by Inergy and Inergy GP of their respective obligations contained in the merger agreement;
- the receipt by Holdings of a certificate signed by the Chief Executive Officer of Inergy GP to the effect that the conditions set forth in the two bullet points above have been satisfied;
- the receipt by Holdings of an opinion of Andrews Kurth to the effect that: (i) the material U.S. federal income tax consequences to the holders of Holdings common units set forth in this proxy statement/prospectus of the transactions contemplated by the merger agreement are accurately set forth; and (ii) subject to the limitations set forth in Material U.S. Federal Income Tax Consequences of the Transactions, no gain or loss should be recognized by the holders of Holdings common units to the extent Inergy LP units or Class B units, as applicable, are received in exchange therefor as a result of the merger, other than gain resulting from either (a) any decrease in partnership liabilities pursuant to Section 752 of the Internal Revenue Code, (b) any actual or deemed cash distributions or (c) amounts paid by one person to or on behalf of another person pursuant to the merger agreement;

the receipt by Holdings of an opinion of Vinson & Elkins to the effect that this proxy statement/prospectus accurately sets forth the material U.S. federal income tax consequences to the holders of Holdings common units of the ownership and disposition of Inergy LP units or Class B units, as applicable, received in exchange for such Holdings common units; and

Inergy GP will have executed and made effective the amended and restated partnership agreement.

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Additional Conditions to Inergy s Obligations. The obligations of Inergy to complete the merger are subject to the satisfaction or waiver of the following conditions:

- the accuracy of Holdings and Holdings GP s representations and warranties contained in the merger agreement both as of the date of the original merger agreement, the merger agreement and as of the closing date of the merger, in all material respects;
- the performance in all material respects by Holdings and Holdings GP of its respective obligations contained in the merger agreement;
- the receipt by Inergy of a certificate signed by the Chief Financial Officer of Holdings GP to the effect that the conditions set forth in the two bullet points above have been satisfied;
- the receipt by Inergy and the Inergy Special Committee of an opinion of Vinson & Elkins to the effect that: (i) the adoption of the amended and restated partnership agreement and the transactions contemplated by the merger agreement will not result in the loss of limited liability of any limited partner of Inergy; (ii) the adoption of the amended and restated partnership agreement and the transactions contemplated by the merger agreement will not cause Inergy to be treated as an association taxable as a corporation or otherwise to be taxed as an entity for federal income tax purposes; (iii) no gain or loss should be recognized by existing holders of Inergy LP units as a result of the merger and other matters contemplated by the merger agreement (other than gain resulting from (A) any decrease in partnership liabilities pursuant to Section 752 of the Internal Revenue Code, or (B) amounts paid to Inergy pursuant to Section 9.1 of the merger agreement) and (iv) the section of this proxy statement/prospectus entitled Material U.S. Federal Income Tax Consequences of the Transactions, to the extent it sets forth statements of legal conclusions, and subject to the conditions described therein, represents the opinion of such counsel; and
- the receipt by Inergy of any consent necessary in connection with assuming Holdings liabilities under Holdings credit agreements pursuant to the merger.

Termination of Merger Agreement

The merger agreement may be terminated at any time prior to the effective time of the merger in any of the following ways:

- by mutual written consent of Holdings and Inergy.
- by either Holdings or Inergy upon written notice to the other:
  - if the merger is not completed on or before December 31, 2010 (the termination date) unless the failure of the closing to occur by this date is primarily due to the failure of the party seeking to terminate the merger agreement to fulfill any material obligation under the merger agreement or a material breach of the merger agreement by such party;
  - if any regulatory authority has issued a final and nonappealable statute, rule, order, decree or regulation or taken any other action that permanently restrains, enjoins or prohibits the consummation of the merger or makes the merger illegal, provided that the terminating party is not in breach of its obligation to use commercially reasonable best efforts to complete the merger promptly;

if there has been a material breach of the support agreement; provided, that Holdings is not entitled to terminate the merger agreement if Holdings has breached any of its obligations described under Solicitation of Other Offers by Holdings beginning on page 106;

if there has been a material breach of or any material inaccuracy in any of the representations or warranties set forth in the merger agreement on the part of any of the other parties, which breach has not been cured within 30 days after receiving notice from the terminating party, or which breach, by its nature, cannot be cured prior to the termination date. However, the terminating party

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itself must not be in material breach of any representation, warranty, covenant or agreement. In order for termination to take place, the breaches must be of such nature that they would entitle the party receiving such representation not to carry out the merger agreement because certain closing conditions are not met; or

if there has been a material breach of any of the covenants or agreements set forth in the merger agreement on the part of any of the other parties, which breach has not been cured within 30 days after receiving notice from the terminating party, or which breach, by its nature, cannot be cured prior to the termination date. However, the terminating party itself must not be in material breach of any representation, warranty, covenant or agreement. In order for termination to take place, the breaches must be of such nature that they would entitle the party receiving the benefits of such covenants or agreements not to consummate the transactions contemplated by the merger agreement because certain closing conditions are not met.

by Inergy if (i) Holdings has materially breached any of the provisions described under Solicitation of Other Offers by Holdings beginning on page 106 or (ii) the Holdings Board makes a change in recommendation as described under Solicitation of Other Offers by Holdings Change in Recommendation by the Holdings Board.

by Holdings if, at any time after the date of the original merger agreement and prior to obtaining the Holdings unitholder approval, Holdings receives an acquisition proposal and the Holdings Board concludes in good faith that such acquisition proposal constitutes a superior proposal, the Holdings Board has made a change in recommendation with respect to the superior proposal, Holdings has not knowingly and intentionally breached any of the provisions described under Solicitation of Other Offers by Holdings, and the Holdings Board concurrently approves, and Holdings concurrently enters into, a definitive agreement with respect to the superior proposal and has paid the termination fee.

by Holdings if as a result of a change in U.S. federal income tax law, the Holdings Conflicts Committee determines, in its reasonable judgment, that consummation of the transactions contemplated by the merger agreement could materially increase the amount of U.S. federal income tax due from any holder of Holdings common units as a result of owning or disposing of the Inergy LP units acquired pursuant to such transactions, as compared to U.S. federal income tax due from such holder as a result of owning or disposing of any Holdings common units in the event the transactions contemplated by the merger agreement did not occur; provided that Holdings will not have the right to terminate the merger agreement pursuant to such change in U.S. federal income tax law in the event, within 30 days after the receipt of such notice, Inergy has provided to Holdings the opinion of nationally recognized tax counsel, reasonably acceptable to Holdings, to the effect that such holder of Holdings common units should not be liable for such increased tax as a result of owning or disposing of Inergy LP units.

by Inergy if as a result of a change in U.S. federal income tax law, the consummation of the transactions contemplated by the merger agreement could materially increase the amount of U.S. federal income tax due from any holder of Inergy LP units as a result of owning or disposing of Inergy LP units, as compared to U.S. federal income tax due from such holder in the event the transactions contemplated by the merger agreement did not occur; provided that Inergy shall not have the right to terminate the merger agreement pursuant to such change in U.S. federal income tax law in the event, within 30 days after the receipt of such notice, Holdings has provided to Inergy the opinion of nationally recognized tax counsel, reasonably acceptable to Inergy, to the effect that it is more likely than not that such holder of Inergy LP units should not be liable for such increased tax as a result of owning or disposing of Inergy LP units.

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Termination Fee and Expenses

Holdings will be obligated to pay a termination fee (to be held by an escrow agent) equal to $20 million in cash, reduced by certain amounts paid, upon the termination of the merger agreement in the following circumstances:

- the merger agreement is terminated by Inergy because Holdings materially breaches any of the provisions described under Solicitation of Other Offers by Holdings or the Holdings Board effects a change in recommendation;
- the merger agreement is terminated by Holdings to enter into a superior proposal under certain circumstances; or
- after an acquisition proposal for 50% or more of the assets of, the equity interest in or businesses of Holdings has been made to the Holdings unitholders or an intention to make such an acquisition proposal has been made known, the merger agreement is terminated (i) by either Inergy or Holdings because (a) the merger was not consummated by the termination date or (b) a material breach of the support agreement has occurred or (ii) by Inergy because of a breach of Holdings representations and warranties or agreements or covenants and, in each case, within 12 months after the merger agreement is terminated, Holdings or any of its subsidiaries enters into a definitive agreement in respect of any acquisition proposal and consummates the transaction contemplated by such definitive agreement (which need not be the same acquisition proposal as the acquisition proposal first mentioned in this paragraph).

If Holdings is obligated to pay the termination fee to Inergy, the escrow agent will release to Inergy a portion of the termination fee equal to no greater than 70% of the maximum remaining amount which, in the good faith view of Inergy GP may be taken in the gross income of Inergy without exceeding the permissible qualifying income limits for a publicly traded partnership based on applicable provisions of the Internal Revenue Code. Following the year in which the initial release of the termination fee occurs, additional amounts may be released or a portion of the fee may be required to be returned so that the amount released equals between 80% and 90% of the maximum which Inergy could actually have taken in gross income. Any amount of the termination fee not distributed to Inergy will be refunded to Holdings. In addition, Holdings has waived for itself and its affiliates, and will cause Inergy GP to waive, any rights to any distribution by Inergy of any termination fee paid to Inergy.

To the extent that Holdings has already paid Inergy its expenses in connection with the termination of the merger agreement and subsequently Holdings is obligated to pay the termination fee to the escrow agent on Inergy s behalf, Holdings is only obligated to pay the escrow agent an amount equal to the difference of the applicable termination fee and expenses previously paid.

Holdings or Inergy will be obligated to pay expenses upon the termination of the merger agreement in the following circumstances:

- Holdings will be obligated to pay Inergy s expenses, not to exceed $3 million (exclusive of the termination fee), if the merger agreement is terminated by:
  - Inergy because of a material breach of Holdings or Holdings GP s representations and warranties or agreements or covenants; or
  - Inergy or Holdings because a material breach of the support agreement has occurred.
- Inergy will be obligated to pay Holdings expenses, not to exceed $3 million, if the merger agreement is terminated by Holdings because of a breach of Inergy s or Inergy GP s material representations and warranties or agreements or covenants.

If the merger is consummated, Inergy will pay the property and transfer taxes imposed on either party in connection with the merger. Inergy will also pay the expenses for filing, printing and mailing this proxy

statement/prospectus. Any filing fees payable pursuant to regulatory laws and other filing fees incurred in connection with the merger agreement will be paid by the party incurring the fees.

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Waiver and Amendment of the Merger Agreement

Prior to the closing, any provision of the merger agreement may be waived in writing by the party benefited by the provision and approved by the Inergy Board in the case of Inergy and by the Holdings Board in the case of Holdings. Any provision of the merger agreement may be amended or modified prior to the closing by a written agreement between the parties approved by the Inergy Board and the Holdings Board. Nonetheless, after the approval of Holdings unitholders has been obtained, no amendment may be made that requires further Holdings unitholder approval without such approval.

Governing Law

The merger agreement is governed by and interpreted under Delaware law.

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THE AMENDED AND RESTATED PARTNERSHIP AGREEMENT OF INERGY

The following is a summary of the material provisions of the amended and restated partnership agreement of Inergy which will be effective after the merger. The form of amended and restated partnership agreement is attached hereto as Annex B.

Immediately following the effective time of the merger, Inergy s existing partnership agreement will be amended and restated. The material differences between the existing partnership agreement and the proposed amended and restated partnership agreement include: (i) the limited partner interest represented by the IDRs will be cancelled; (ii) the limited partner interests represented by Class A units, which will be issued to IPCH and Inergy Partners, will be established; (iii) the limited partner interests represented by Class B units, which will be issued to the PIK Recipients, will be established; (iv) Inergy Partners approximate 0.6% economic general partner interest (including rights to ownership, profit or any rights to receive distributions from operations or the liquidation of Inergy) will be eliminated, and Inergy Partners will withdraw as the non-managing general partner of Inergy; and (v) certain legacy provisions that are no longer applicable to Inergy will be eliminated.

The following provisions of the amended and restated partnership agreement are summarized elsewhere in this proxy statement/prospectus:

- with regard to distributions of available cash, please read Inergy s Cash Distribution Policy on page 157;
- with regard to allocations of taxable income and taxable loss, please read U.S. Federal Income Taxation of Ownership of Inergy LP Units and Class B Units beginning on page 130.

Organization and Duration

Inergy was organized on March 7, 2001 and will continue in existence until its dissolution in accordance with the amended and restated partnership agreement.

Purpose

The purpose of Inergy under the amended and restated partnership agreement is to (a) serve as a member of Inergy Propane, LLC, its wholly owned operating subsidiary (Inergy Propane), and, in connection therewith, to exercise all the rights and powers conferred upon Inergy as a member of Inergy Propane pursuant to Inergy Propane s limited liability company agreement or otherwise, (b) engage directly in, or enter into or form any corporation, partnership, joint venture, limited liability company or other arrangement to engage indirectly in, any business activity that Inergy Propane is permitted to engage in by Inergy Propane s limited liability company agreement and, in connection therewith, to exercise all of the rights and powers conferred upon Inergy pursuant to the agreements relating to such business activity, (c) engage directly in, or enter into or form any corporation, partnership, joint venture, limited liability company or other entity or arrangement to engage indirectly in, any business activity that Inergy GP approves and which lawfully may be conducted by a limited partnership organized pursuant to the Delaware Revised Uniform Limited Partnership Act, as amended (DRULPA), and, in connection therewith, to exercise all of the rights and powers conferred upon Inergy pursuant to the agreements relating to such business activity; provided, however, that Inergy GP reasonably determines, as of the date of the acquisition or commencement of such activity, that such activity (i) generates qualifying income (as such term is defined pursuant to Section 7704 of the Internal Revenue Code), or (ii) enhances the operations of an activity of Inergy Propane and (d) do anything necessary or appropriate to the foregoing, including the making of capital contributions or loans to Inergy, Inergy Propane or any of their subsidiaries. Inergy GP has no obligation or duty to Inergy, its limited partners, Inergy Partners (as a withdrawing general partner) or assignees of partnership interests to propose or approve, and in its discretion may decline to propose or approve, the conduct by Inergy of any business.

Inergy GP is authorized in general to perform all acts deemed necessary to carry out Inergy s purposes and to conduct its business.

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Power of Attorney

Each limited partner of Inergy grants to Inergy GP and, if appointed, a liquidator, a power of attorney to, among other things, execute, swear to, acknowledge, deliver, file and record all certificates, documents and other instruments (i) that Inergy GP or the liquidator deems necessary or appropriate to form, qualify or continue the existence or qualification of Inergy as a limited partnership (or a partnership in which the limited partners have limited liability) in the State of Delaware and in all other jurisdictions in which Inergy may conduct business or own property, (ii) that Inergy GP or the liquidator deems necessary or appropriate to reflect, in accordance with its terms, any amendment, change, modification or restatement of the amended and restated partnership agreement, (iii) that Inergy GP or the liquidator deems necessary or appropriate to reflect the dissolution and liquidation of Inergy pursuant to the terms of the amended and restated partnership agreement, (iv) relating to the admission, withdrawal, removal or substitution of any partner, (v) relating to the determination of the rights, preferences and privileges of any class or series of additional partnership securities issued by Inergy and (vi) relating to a merger or consolidation of Inergy.

Capital Contributions

Inergy unitholders are not obligated to make additional capital contributions, except as described below under Limited Liability.

Limited Liability

Assuming that a limited partner does not participate in the control of Inergy s business within the meaning of the DRULPA and that it otherwise acts in conformity with the provisions of Inergy s amended and restated partnership agreement, the limited partner s liability under the DRULPA will be limited, subject to possible exceptions, to the amount of capital the limited partner is obligated to contribute to Inergy for such partner s Inergy LP units plus the partner s share of any undistributed profits and assets and any funds wrongfully distributed to it, as described below. If it were determined, however, that the right, or exercise of the right, by Inergy s limited partners as a group:

to remove or replace Inergy GP;

to approve certain amendments to the amended and restated partnership agreement; or

to take any other action under the amended and restated partnership agreement

constituted participation in the control of Inergy s business for the purposes of the DRULPA, then the limited partners could be held personally liable for Inergy s obligations under the laws of Delaware, to the same extent as Inergy GP. This liability would extend to persons who transact business with Inergy who reasonably believe that a limited partner is a general partner based on the limited partner s conduct. Neither Inergy s amended and restated partnership agreement nor the DRULPA specifically provides for legal recourse against Inergy GP if a limited partner were to lose limited liability through any fault of Inergy GP. While this does not mean that a limited partner could not seek legal recourse, Inergy knows of no precedent for this type of a claim in Delaware case law.

Under the DRULPA, a limited partnership may not make a distribution to a partner if, after the distribution, all liabilities of the limited partnership, other than liabilities to partners on account of their partnership interests and liabilities for which the recourse of creditors is limited to specific property of the limited partnership, would exceed the fair value of the assets of the limited partnership. For the purpose of determining the fair value of the assets of a limited partnership, the DRULPA provides that the fair value of property subject to liability for which recourse of creditors is limited will be included in the assets of the limited partnership only to the extent that the fair value of that property exceeds the nonrecourse liability. The DRULPA provides that a limited partner who receives a distribution and knew at the time of the distribution that the distribution was in violation of the DRULPA will be liable to the limited partnership for the amount of the distribution for three years from the date

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of distribution. Under the DRULPA, an assignee who becomes a substituted limited partner of a limited partnership is liable for the obligations of its assignor to make contributions to the limited partnership, excluding any obligations of the assignor with respect to wrongful distributions, as described above, except the assignee is not obligated for liabilities unknown to it at the time it became a limited partner and that could not be ascertained from the limited partnership agreement.

Inergy s subsidiaries conduct business in multiple states. Maintenance of Inergy s limited liability as a limited partner or member of Inergy s subsidiaries formed as limited partnerships or limited liability companies may require compliance with legal requirements in the jurisdictions in which such subsidiaries conduct business, including qualifying Inergy s subsidiaries to do business there. Limitations on the liability of a limited partner or member for the obligations of a limited partnership or limited liability company have not been clearly established in many jurisdictions.

If it were determined that Inergy was, by virtue of Inergy s limited partner interest or limited liability company interest in its subsidiaries or otherwise, conducting business in any state without compliance with the applicable limited partnership or limited liability company statute, or that the right or exercise of the right by the limited partners as a group to remove or replace Inergy GP, to approve certain amendments to Inergy s amended and restated partnership agreement, or to take other action under the amended and restated partnership agreement constituted participation in the control of Inergy s business for purposes of the statutes of any relevant jurisdiction, then the limited partners could be held personally liable for Inergy s obligations under the law of that jurisdiction to the same extent as Inergy GP under the circumstances. Inergy will operate in a manner that Inergy GP considers reasonable and necessary or appropriate to preserve the limited liability of the limited partners.

Voting Rights

Inergy LP Units

The following matters require Inergy unitholder vote specified below.

Amendment of the amended and restated partnership agreement	Certain amendments may be made by Inergy GP without the approval of Inergy unitholders. Certain other amendments require the approval of a majority of outstanding Inergy LP units. Certain other amendments require the approval of a super-majority of outstanding Inergy LP units. Please read Amendment of the Amended and Restated Partnership Agreement beginning on page 117.
Sale of all or substantially all of Inergy s assets	Majority of outstanding Inergy LP units. Please read Merger, Sale or Other Disposition of Assets beginning on page 119.
Dissolution of Inergy	Majority of outstanding Inergy LP units. Please read Termination and Dissolution on page 120.
Removal/Replacement of Inergy GP	Two-thirds of the outstanding Inergy LP units. Please read Withdrawal or Removal of Inergy GP beginning on page 119.

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Class A Units

Holders of Class A Units will not have the right to vote on, approve or disapprove, or otherwise consent or not consent with respect to any matter (including mergers, share exchanges and similar statutory authorizations) except as otherwise required by any non-waivable provision of law.

Class B Units

Holders of Class B units will have voting rights that are identical to the voting rights of Inergy LP units and will vote with the Inergy LP units as a single class, so that each Class B unit will be entitled to one vote for each Inergy LP unit into which such Class B units are convertible on each matter with respect to which each Inergy LP unit is entitled to vote. Each reference in this proxy statement/prospectus to a vote of holders of Inergy LP units is deemed to be a reference to the holders of Inergy LP units and Class B units on an as if converted basis, and the definition of Unit Majority is correspondingly construed to mean at least a majority of the Inergy LP units and the Class B units, on an as if converted basis, voting together as a single class during any period in which any Class B units are outstanding.

In addition to all other requirements imposed by Delaware law, and all other voting rights granted under the amended and restated partnership agreement, the affirmative vote of the holders of a majority of the outstanding Class B units, voting separately as a class based upon one vote per Class B unit, will be necessary on any matter (including a merger, consolidation or business combination) that adversely affects any of the rights, preferences and privileges of the Class B units in any respect or amends or modifies any of the terms of the Class B units; provided, that Inergy will be able to amend the provisions relating to the Class B units so long as the amendment does not adversely affect the holders of the Class B units. Such adverse effect, amendment or modification includes any action that would:

(1) change the form of payment of distributions, defer the date from which distributions on the Class B units will accrue, cancel accrued and unpaid distributions on the Class B units or amend the amended and restated partnership agreement in a way that adversely affects any of the rights, preferences and privileges of the Class B units;

(2) reduce the amount payable or change the form of payment to the holders of the Class B units upon the voluntary or involuntary liquidation, dissolution or winding up of Inergy; or

(3) make any distribution of any property other than (i) additional Class B units issued in kind as a distribution or (ii) other partnership securities whose distribution is required or permitted by the amended and restated partnership agreement.

Issuance of Additional Securities

The amended and restated partnership agreement provides that Inergy may issue additional partnership securities and options, rights, warrants and appreciation rights relating to the partnership securities for any partnership purpose at any time and from time to time to such persons for such consideration and on such terms and conditions as shall be established by Inergy GP in its sole discretion, all without the approval of any limited partners. Inergy may issue any class or series of partnership interests having preferences or other special or senior rights over the previously outstanding Inergy LP units.

It is possible that Inergy will fund acquisitions, and other capital requirements, through the issuance of additional Inergy LP units or other equity securities. Holders of any additional Inergy LP units that Inergy issues will be entitled to share with then-existing holders of Inergy LP units in Inergy s distributions of available cash. In addition, the issuance of additional partnership interests may dilute (i) the percentage interests of then-existing holders of Inergy LP units in Inergy s net assets and (ii) the voting rights of then-existing holders of Inergy LP units under the amended and restated partnership agreement.

The holders of Inergy LP units do not have preemptive rights to acquire additional Inergy LP units or other partnership interests.

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Amendment of the Amended and Restated Partnership Agreement

General. Amendments to Inergy s amended and restated partnership agreement may be proposed only by or with the consent of Inergy GP, which consent may be given or withheld in its sole discretion. To adopt a proposed amendment, other than certain amendments discussed below, Inergy GP must seek written approval of the holders of the number of Inergy LP units required to approve the amendment or call a meeting of the limited partners to consider and vote upon the proposed amendment. Except as otherwise described below, an amendment must be approved by the limited partners holding in the aggregate at least a majority of the outstanding Inergy LP units, referred to as a Unit Majority.

No Unitholder Approval. Inergy GP may generally make amendments to the amended and restated partnership agreement without the approval of any limited partner or assignee to reflect:

a change in the name of Inergy, the location of the principal place of business of Inergy, the registered agent of Inergy or the registered office of Inergy;

admission, substitution, withdrawal or removal of partners in accordance with the amended and restated partnership agreement;

a change that, in the sole discretion of Inergy GP, is necessary or advisable to qualify or continue the qualification of Inergy as a limited partnership or a partnership in which the limited partners have limited liability under the laws of any state or to ensure that Inergy and Inergy Propane will not be treated as an association taxable as a corporation or otherwise taxed as an entity for federal income tax purposes;

a change in the fiscal year or taxable year of Inergy and any changes that, in the discretion of Inergy GP, are necessary or advisable as a result of a change in the fiscal year or taxable year of Inergy including, if Inergy GP shall so determine, a change in the definition of Quarter and the dates on which distributions are to be made by Inergy;

an amendment that is necessary, in the opinion of counsel, to prevent Inergy, or Inergy GP or its directors, officers, trustees or agents, from in any manner being subjected to the provisions of the Investment Company Act of 1940, as amended, the Investment Advisers Act of 1940, as amended, or plan asset regulations adopted under the Employee Retirement Income Security Act of 1974, as amended, regardless of whether such are substantially similar to plan asset regulations currently applied or proposed by the United States Department of Labor;

an amendment that, in the discretion of Inergy GP, is necessary or advisable in connection with the authorization of issuance of any class or series of partnership securities;

an amendment expressly permitted by the amended and restated partnership agreement to be made by Inergy GP acting alone;

an amendment effected, necessitated or contemplated by a merger agreement approved in accordance with the amended and restated partnership agreement;

an amendment that, in the discretion of Inergy GP, is necessary or advisable to reflect, account for and deal with appropriately the formation by Inergy of, or investment by Inergy in, any corporation, partnership, joint venture, limited liability company or other entity, in connection with the conduct by Inergy of activities permitted by the terms of the amended and restated partnership agreement;

a merger or conveyance pursuant to which (i) Inergy GP has received an opinion of counsel that the merger or conveyance would not result in the loss of the limited liability of any limited partner or any member in Inergy Propane or cause Inergy or Inergy Propane to be treated as an association taxable as a corporation or otherwise to be taxed as an entity for federal income tax purposes (to the extent not previously treated as such), (ii) the sole purpose of such merger or conveyance is to effect a mere change in the legal form of Inergy into another limited liability entity and (iii) the governing instruments of the new entity provide the limited partners and Inergy GP with the same rights and obligations as are contained in the amended and restated partnership agreement; or

any other amendments substantially similar to the foregoing.

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In addition, Inergy GP may make amendments to Inergy s amended and restated partnership agreement without the approval of any limited partner or assignee if those amendments, in the discretion of Inergy GP, reflect a change that:

- does not adversely affect the limited partners (including any particular class of partnership interests as compared to other classes of partnership interests) in any material respect;

- is necessary or advisable to (i) satisfy any requirements, conditions or guidelines contained in any opinion, directive, order, ruling or regulation of any federal or state agency or judicial authority or contained in any federal or state statute (including the DRULPA) or (ii) facilitate the trading of the limited partner interests (including the division of any class or classes of outstanding limited partner interests into different classes to facilitate uniformity of tax consequences within such classes of limited partner interests) or comply with any rule, regulation, guideline or requirement of any national securities exchange on which the limited partner interests are or will be listed for trading, compliance with any of which Inergy GP determines in its discretion to be in the best interests of Inergy and the limited partners;

- is necessary or advisable in connection with action taken by Inergy GP relating to a split, distribution, subdivision or combination of partnership securities; or

- is required to effect the intent of the provisions of the amended and restated partnership agreement or is otherwise contemplated by the amended and restated partnership agreement.

No Reduction of Voting Percentage Required to Take Action. Any amendment to the amended and restated partnership agreement that reduces the voting percentage required to take any action must be approved by the affirmative vote of Inergy s limited partners constituting not less than the voting requirement sought to be reduced.

No Enlargement of Obligations. No amendment to the amended and restated partnership agreement may (i) enlarge the obligations of any limited partner without its consent, unless such is deemed to have occurred as a result of an amendment approved by the holders of not less than a majority of the outstanding partnership interests of the class affected, (ii) enlarge the obligations of, restrict in any way any action by or rights of, or reduce in any way the amounts distributable, reimbursable or otherwise payable to, Inergy GP or any of its affiliates without the consent of Inergy GP, which consent may be given or withheld in its sole discretion, (iii) change the provision of the amended and restated partnership agreement that provides for the dissolution of Inergy upon the election to dissolve Inergy by Inergy GP that is approved by the holders of a Unit Majority (the Elective Dissolution Provision) or (iv) change the term of Inergy or, except as set forth in the Elective Dissolution Provision, give any person the right to dissolve Inergy.

No Material Adverse Effect on Rights and Preferences. Except for certain amendments in connection with the merger or consolidation of Inergy and except for those amendments that may be effected by Inergy GP without the consent of limited partners as described above, any amendment that would have a material adverse effect on the rights or preferences of any class of partnership interests in relation to other classes of partnership interests must be approved by the holders of not less than a majority of the outstanding partnership interests of the class affected.

Opinion of Counsel and Inergy Unitholder Approval. Except as for those amendments that may be effected by Inergy GP without the consent of limited partners as described above, no amendments shall become effective without the approval of the holders of at least 90% of the outstanding units voting as a single class unless Inergy obtains an opinion of counsel to the effect that such amendment will not affect the limited liability of any limited partner under applicable law.

Further Restrictions on Amendments. Except as for those amendments that may be effected by Inergy GP without the consent of limited partners as described above, the foregoing provisions described above relating to the amendment of the amended and restated partnership agreement may only be amended with the approval of the holders of at least 90% of the outstanding units.

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Merger, Sale or Other Disposition of Assets

Inergy s amended and restated partnership agreement generally prohibits Inergy GP, without the prior approval of a Unit Majority, from causing Inergy to, among other things, sell, exchange or otherwise dispose of all or substantially all of the consolidated assets owned by Inergy and its operating subsidiaries in a single transaction or a series of related transactions (including by way of merger, consolidation or other combination). Inergy GP may, however, mortgage, pledge, hypothecate or grant a security interest in all or substantially all of Inergy s consolidated assets without the approval of a Unit Majority. The amended and restated partnership agreement generally prohibits Inergy GP from causing Inergy to merge or consolidate with another entity without the approval of a Unit Majority.

If certain conditions specified in the amended and restated partnership agreement are satisfied, Inergy GP may merge Inergy or any of Inergy s subsidiaries into, or convey some or all of Inergy s assets to, a newly formed entity if the sole purpose of that merger or conveyance is to change Inergy s legal form into another limited liability entity.

Reimbursements of Inergy GP

Inergy GP does not receive any compensation for its services as Inergy s managing general partner. However, Inergy GP will be entitled to be reimbursed for (i) all direct and indirect expenses it incurs or payments it makes on behalf of Inergy (including salary, bonus, incentive compensation and other amounts paid to any person including affiliates of Inergy GP to perform services for Inergy or for Inergy GP in the discharge of its duties to Inergy) and (ii) all other necessary or appropriate expenses allocable to Inergy or otherwise reasonably incurred by Inergy GP in connection with operating Inergy s business (including expenses allocated to Inergy GP by its affiliates). The amended and restated partnership agreement provides that Inergy GP will determine the expenses that are allocable to Inergy in any reasonable manner determined by Inergy GP in its sole discretion. Reimbursements for expenses described above are in addition to any reimbursement to Inergy GP as a result of indemnification pursuant the amended and restated partnership agreement.

Withdrawal or Removal of Inergy GP

Inergy GP may withdraw as a general partner of Inergy (i) at any time prior to 12:00 midnight, Eastern Standard Time, on June 30, 2011, by giving at least 90 days advance notice of its intention to withdraw to the limited partners; provided that prior to the effective date of such withdrawal, the withdrawal is approved by unitholders holding at least a majority of the outstanding Inergy LP units (excluding Inergy LP units held by Inergy GP and its affiliates) and Inergy GP delivers to Inergy an opinion of counsel (a withdrawal opinion of counsel) that such withdrawal (following the selection of the successor general partner) would not result in the loss of the limited liability of any limited partner or of a member of Inergy Propane or cause Inergy or Inergy Propane to be treated as an association taxable as a corporation or otherwise to be taxed as an entity for federal income tax purposes (to the extent not previously treated as such) and (ii) at any time after 12:00 midnight, Eastern Standard Time, on June 30, 2011, by giving at least 90 days advance notice to the unitholders, such withdrawal to take effect on the date specified in such notice. Notwithstanding clause (i) of the preceding sentence, at any time that Inergy GP voluntarily withdraws by giving at least 90 days advance notice of its intention to withdraw to the limited partners, such withdrawal to take effect on the date specified in the notice, if at the time such notice is given one person and its affiliates (other than Inergy GP and its affiliates) own beneficially or of record or control at least 50% of the outstanding units.

If Inergy GP gives a notice of withdrawal, the holders of a Unit Majority, may, prior to the effective date of such withdrawal, elect a successor general partner. The person so elected as successor general partner will automatically become the successor general partner. If, prior to the effective date of Inergy GP s withdrawal, a successor is not selected by the unitholders or Inergy does not receive a withdrawal opinion of counsel, Inergy will be dissolved in accordance with the amended and restated partnership agreement.

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Inergy GP may be removed if such removal is approved by the unitholders holding at least 66 2/3% of the outstanding units (including units held by Inergy GP and its affiliates). Any such action by such holders for removal of Inergy GP must also provide for the election of a successor general partner by the unitholders holding a Unit Majority (including units held by Inergy GP and its affiliates). Such removal will be effective immediately following the admission of a successor general partner pursuant to the amended and restated partnership agreement. The right of the holders of outstanding units to remove the general partner will not exist or be exercised unless Inergy has received a withdrawal opinion of counsel.

If Inergy GP withdraws or is removed, Inergy is required to reimburse the departing general partner for all amounts due the departing general partner.

Transfer of General Partner Interest

Subject to certain conditions, prior to June 30, 2011, Inergy GP is prohibited from transferring all or any part of its general partner interest to a person unless such transfer (i) has been approved by the prior written consent or vote of the holders of at least a majority of the outstanding Inergy LP units (excluding Inergy LP units held by Inergy GP and its affiliates) or (ii) is of all, but not less than all, of its general partner interest to (A) an affiliate of Inergy GP (other than an individual) or (B) another person (other than an individual) in connection with the merger or consolidation of Inergy GP with or into another person (other than an individual) or the transfer by Inergy GP of all or substantially all of its assets to another person (other than an individual).

Subject to certain conditions, on or after June 30, 2011, Inergy GP may transfer all or any of its general partner interest without unitholder approval.

In any event, no transfer of the general partner interest will be permitted unless Inergy receives an opinion of counsel that such transfer would not result in the loss of limited liability of any limited partner or of any member of Inergy Propane or cause Inergy or Inergy Propane to be treated as an association taxable as a corporation or otherwise to be taxed as an entity for U.S. federal income tax purposes.

Termination and Dissolution

Inergy will continue as a limited partnership until terminated under the amended and restated partnership agreement. Inergy will dissolve upon:

(1) the withdrawal, removal, bankruptcy or dissolution of Inergy GP, unless a successor general partner is elected prior to or on the effective date of such withdrawal, removal, bankruptcy or dissolution and a withdrawal opinion of counsel is received by Inergy;

(2) an election to dissolve Inergy by Inergy GP that is approved by the holders of a Unit Majority;

(3) the entry of a decree of judicial dissolution of Inergy pursuant to the provisions of the DRULPA; or

(4) the sale of all or substantially all of the assets and properties of Inergy, Inergy Propane and their subsidiaries, treated as a single consolidated entity.

Upon (a) dissolution of Inergy following the withdrawal or removal of Inergy GP and the failure of the partners to select a successor general partner, then within 90 days thereafter, or (b) dissolution of Inergy upon the bankruptcy or dissolution of Inergy GP, then, to the maximum extent permitted by law, within 180 days thereafter, the holders of a Unit Majority may elect to reconstitute Inergy and continue its business on the same terms and conditions set forth in the amended and restated partnership agreement by forming a new limited partnership on terms identical to those set forth in the amended and restated partnership agreement and having as the successor general partner a person approved by the holders of a Unit Majority. Unless such an election is made within the applicable time period as set forth above, Inergy shall conduct only activities necessary to wind up its affairs.

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Liquidation and Distribution of Proceeds

Upon Inergy s dissolution, unless Inergy is reconstituted and continued as a new limited partnership by the holders of a Unit Majority, Inergy GP or, if Inergy GP has withdrawn, been removed, dissolved or become bankrupt, the liquidator authorized to wind up Inergy s affairs will, acting with all of the powers of Inergy GP that the liquidator deems appropriate or necessary in its good faith judgment, liquidate Inergy s assets and apply and distribute the proceeds of the liquidation as described in Inergy s Cash Distribution Policy Distribution of Cash Upon Liquidation on page 158.

Meetings; Voting

For purposes of determining the limited partners entitled to notice of or to vote at a meeting of limited partners or to give approvals without a meeting, Inergy GP may set a record date, which shall not be less than 10 nor more than 60 days before (i) the date of the meeting (unless such requirement conflicts with any rule, regulation, guideline or requirement of any national securities exchange on which the limited partner interests are listed for trading, in which case the rule, regulation, guideline or requirement of such exchange shall govern) or (ii) in the event that approvals are sought without a meeting, the date by which limited partners are requested in writing by Inergy GP to give such approvals.

If authorized by Inergy GP, any action that may be taken at a meeting of the limited partners may be taken without a meeting if an approval in writing setting forth the action so taken is signed by limited partners owning not less than the minimum percentage of the outstanding limited partner interests (including limited partner interests deemed owned by Inergy GP) that would be necessary to authorize or take such action at a meeting at which all the limited partners were present and voted (unless such provision conflicts with any rule, regulation, guideline or requirement of any national securities exchange on which the limited partner interests are listed for trading, in which case the rule, regulation, guideline or requirement of such exchange shall govern). Special meetings of limited partners may be called by Inergy GP or by limited partners owning at least 20% of the outstanding partnership securities of the class or classes for which a meeting is proposed. Limited partners may vote either in person or by proxy at meetings. The holde