UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

[X] Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the fiscal year ended July 31, 1998
or
[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission file numbers 1-11331
333-06693
Ferrellgas Partners, L.P.
Ferrellgas Partners Finance Corp.

(Exact name of registrants as specified in their charters)

Delaware	43-1698480
Delaware	43-1742520
(State or other jurisdictions of incorporation or organization)	(I.R.S. Employer Identification Nos.)

One Liberty Plaza, Liberty, Missouri 64068

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (816) 792-1600

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Units	New York Stock Exchange

Securities registered pursuant to section 12(g) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

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

The aggregate market value as of October 12, 1998, of the registrant's Common Units held by nonaffiliates of the registrant, based on the reported closing price of such units on the New York Stock Exchange on such date, was approximately $266,005,660.

At October 12, 1998, Ferrellgas Partners, L.P. had units outstanding as follows:
14,699,678 Common Units
16,593,721 Subordinated Units
Documents Incorporated by Reference: None

FERRELLGAS PARTNERS, L.P.
FERRELLGAS PARTNERS FINANCE CORP.

1998 FORM 10-K ANNUAL REPORT

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PART I

ITEM 1. BUSINESS.

Business of Ferrellgas Partners, L.P.

Ferrellgas Partners, L.P. (the "Master Limited Partnership" or the "MLP"), is a Delaware limited partnership which was formed on April 19, 1994. The MLP's Common Units are listed on the New York Stock Exchange. The MLP's activities are conducted through its subsidiary Ferrellgas, L.P. (the "Operating Partnership" or the "OLP"). The MLP, with a 97% limited partner interest, is the sole limited partner of the Operating Partnership. The MLP and the Operating Partnership are together referred to herein as the "Partnership". The Operating Partnership accounts for nearly all of the MLP's consolidated assets, sales and operating earnings. The MLP's consolidated net earnings also reflect interest expense related to $160 million of 9 3/8% Senior Secured Notes issued by the MLP in April 1996.

Business of Ferrellgas, L.P.

The Operating Partnership, a Delaware limited partnership, was formed on April 22, 1994, to acquire, own and operate the propane business and assets of Ferrellgas, Inc. (the "Company", "Ferrellgas", and "General Partner"). The Company has retained a 1% general partner interest in the MLP and also holds a 1.0101% general partner interest in the Operating Partnership, representing a 2% general partner interest in the Partnership on a combined basis. As General Partner of the Partnership, the Company performs all management functions required for the Partnership.

General

The Partnership is engaged in the sale, distribution, marketing and trading of propane and other natural gas liquids. The discussion that follows focuses on the Partnership's retail operations and its other operations, which consist primarily of propane and natural gas liquids trading operations, chemical feedstocks marketing and wholesale propane marketing, all of which were conveyed to the Partnership on July 5, 1994. All historical references prior to July 5, 1994 relate to the operations as conducted by the Company.

The Partnership believes that it is the second largest retail marketer of propane in the United States (as measured by gallons sold), serving more than 800,000 residential, industrial/commercial and agricultural customers in 45 states and the District of Columbia through approximately 566 retail outlets with 298 satellite locations in 38 states (some outlets serve interstate markets). Based upon information contained in industry publications for calendar year 1997, the Partnership believes that its retail operations account for approximately 8% of the retail propane purchased in the United States as measured by gallons sold. For the Partnership's fiscal years ended July 31, 1998, 1997 and 1996, annual retail propane sales volumes were 660 million, 694 million, and 650 million gallons, respectively. The retail propane business of the Partnership consists principally of transporting propane purchased in the contract and spot markets, primarily from major oil companies, to its retail distribution outlets and then to tanks located on its customers' premises, as well as to portable propane cylinders.

The Partnership also believes that it is a leading natural gas liquids trading company. Annual propane and natural gas liquids trading, chemical feedstocks and wholesale propane sales volumes were approximately 1.0 billion, 1.2 billion and 1.7 billion gallons during the fiscal years ended July 31, 1998, 1997 and 1996, respectively.

Retail Operations

Formation and History

Ferrell Companies, Inc. ("Ferrell"), the parent of Ferrellgas, was founded in 1939 as a single retail propane outlet in Atchison, Kansas and was incorporated in 1954. Ferrell was previously owned primarily by James E. Ferrell and his family but was sold in July 1998 to the Ferrell Companies, Inc. Employee Stock Ownership Trust ("ESOT"). Ferrellgas was formed in 1984 to operate the retail propane business previously conducted by Ferrell. In July 1994, the propane business and assets of Ferrellgas were contributed to the Partnership in connection with the Partnership's initial public offering of Common Units.

The Company's initial growth largely resulted from small acquisitions in the rural areas of eastern Kansas, northern and central Missouri, Iowa, Western Illinois, Southern Minnesota, South Dakota and Texas. In July 1984, the Company acquired propane operations with annual retail sales volumes of approximately 33 million gallons and in December 1986, the Company acquired propane operations with annual retail sales volumes of approximately 395 million gallons. These two major acquisitions and many other smaller acquisitions significantly expanded and diversified the Company's geographic coverage. Since 1986, Ferrellgas has acquired more than 100 smaller independent propane retailers, the largest of which were Skelgas Propane, Inc. ("Skelgas") acquired in May 1996 and Vision Energy Resources, Inc. ("Vision") acquired in November 1994. For the fiscal years ended July 31, 1998 to 1994, the Partnership (or its predecessor) invested approximately $13.0 million, $38.8 million, $108.8 million, $70.1 million, and $3.4 million, respectively, to acquire operations with annual retail sales of approximately 4.4 million, 20.5 million, 111.8 million, 70.0 million, and 2.9 million gallons of propane, respectively. Primarily as a result of this acquisition strategy, retail propane gallons sold by the Partnership (or its predecessor) increased from 68 million in fiscal 1986 to 660 million in fiscal 1998. The propane industry is relatively fragmented, with the ten largest retail distributors possessing approximately 33% of the total retail propane market and much of the industry consisting of more than 5,000 local or regional distributors. The Partnership believes the fragmented nature of the propane industry provides significant opportunities for growth through acquisitions.

Business Strategy

The goal of the Partnership is to be the leading retail propane company in the United States. The Partnership believes that it has obtained a competitive advantage by promoting an entrepreneurial culture that empowers its employees to be responsive to individual customer needs. In addition, the Partnership believes this culture is supported and enhanced by the recent transfer of ownership of Ferrell to the ESOT for the sole benefit of the Company's employees. The Partnership's business strategy is to continue its historical focus on residential and commercial retail propane operations. The Partnership anticipates that its future growth will be achieved primarily through the acquisition of smaller retail propane operations throughout the United States and to a lesser extent through the expansion of its existing customer base by increased competitiveness and investment in internal growth opportunities.

The Partnership intends to concentrate its acquisition activities in geographical areas in close proximity to the Partnership's existing operations and to acquire propane retailers that can be efficiently combined with such existing operations to provide an attractive return on investment after taking into account the efficiencies which may result from such combination. However, the Partnership will also pursue acquisitions which broaden its geographic coverage. The Partnership's goal in any acquisition will be to improve the operations and profitability of these smaller companies by integrating them into the Partnership's established supply network. The Partnership regularly evaluates a number of propane distribution companies which may be candidates for acquisition. The Partnership believes that there are numerous local retail propane distribution companies that are possible candidates for acquisition and that its geographic diversity of operations helps to create many attractive acquisition opportunities. The Partnership intends to fund acquisitions through internal cash flow, external borrowings or the issuance of additional Common Units. The Partnership's ability to accomplish these goals will be subject to the continued availability of acquisition candidates at prices attractive to the Partnership. There is no assurance the Partnership will be successful in

sustaining the recent level of acquisitions or that any acquisitions that are made will prove beneficial to the Partnership.

In addition to growth through acquisitions, the Partnership believes that it may also achieve growth within its existing propane operations. As a result of its experience in responding to competition and in implementing more efficient operating standards, the Partnership believes that it has positioned itself to be more successful in direct competition for customers. The Partnership currently has marketing programs underway which focus specific resources toward this effort.

Marketing

Natural gas liquids are derived from petroleum products and are sold in compressed or liquefied form. Propane, the predominant type of natural gas liquid, is typically extracted from natural gas or separated during crude oil refining. Although propane is gaseous at normal pressures, it is compressed into liquid form at relatively low pressures for storage and transportation. Propane is a clean-burning energy source, recognized for its transportability and ease of use relative to alternative forms of stand alone energy sources.

In the residential and commercial markets, propane is primarily used for space heating, water heating and cooking. In the agricultural market propane is primarily used for crop drying, space heating, irrigation and weed control. In addition, propane is used for certain industrial applications, including use as engine fuel, which is burned in internal combustion engines that power vehicles and forklifts and as a heating or energy source in manufacturing and drying processes.

The retail propane marketing business generally involves large numbers of small volume deliveries averaging approximately 200 gallons each. The market areas are generally rural but also include suburban areas for industrial applications where natural gas service is not available.

The Partnership utilizes marketing programs targeting both new and existing customers by emphasizing its efficiency in delivering propane to customers as well as its training and safety programs. The Partnership sells propane primarily to four specific markets: residential, industrial/commercial, agricultural and other (principally to other propane retailers and as engine fuel). During the fiscal year ended July 31, 1998, sales to residential customers accounted for 56% of retail gross profit, sales to industrial and other commercial customers accounted for 31% of retail gross profit, and sales to agricultural and other customers accounted for 13% of retail gross profit. Residential sales have a greater profit margin, more stable customer base and tend to be less sensitive to price changes than the other markets served by the Partnership. No single customer of the Partnership accounts for 10% or more of the Partnership's consolidated revenues.

Profits in the retail propane business are primarily based on margins, the cents-per-gallon difference between the purchase price and the sales price of propane. The Partnership generally purchases propane in the contract and spot markets, primarily from major oil companies, on a short-term basis; therefore, its supply costs fluctuate with market price fluctuations. Should wholesale propane prices decline in the future, the Partnership's margins on its retail propane distribution business should increase in the short-term, because retail prices tend to change less rapidly than wholesale prices. Should the wholesale cost of propane increase, for similar reasons retail margins and profitability would likely be reduced, at least for the short-term, until retail prices can be increased. Retail propane customers typically lease their storage tanks from their propane distributors. Approximately 70% of the Partnership's customers lease their tank from the Partnership. The lease terms and, in some states, certain fire safety regulations, restrict the filling of a leased tank solely to the propane supplier that owns the tank. The cost and inconvenience of switching tanks minimizes a customers tendency to switch suppliers of propane on the basis of minor variations in price.

The retail market for propane is seasonal because it is used primarily for heating in residential and commercial buildings. Consequently, sales and operating profits are concentrated in the second and third fiscal quarters

(November through April). To the extent necessary, the Partnership will reserve cash inflows from the second and third quarters for distribution in the first and fourth fiscal quarters. In addition, sales volume traditionally fluctuates from year to year in response to variations in weather, prices and other factors, although the Partnership believes that the broad geographic distribution of its operations helps to minimize exposure to regional weather or economic patterns. Long-term, historic weather data from the National Climatic Data Center indicates that the average annual temperatures have remained relatively constant over the last 30 years with fluctuations occurring on a year-to-year basis only. During times of colder-than-normal winter weather, the Company has been able to take advantage of its large, efficient distribution network to help avoid supply disruptions such as those experienced by some of its competitors, thereby broadening its long-term customer base.

Supply and Distribution

The Partnership purchases propane primarily from major domestic oil companies. Supplies of propane from these sources have traditionally been readily available, although no assurance can be given that supplies of propane will be readily available in the future. As a result of (i) the Partnership's ability to buy large volumes of propane and (ii) the Partnership's large distribution system and underground storage capacity, the Partnership believes it is in a position to achieve product cost savings and avoid shortages during periods of tight supply to an extent not generally available to other retail propane distributors. The Partnership is not dependent upon any single supplier or group of suppliers, the loss of which would have a material adverse effect on the Partnership. For the year ended July 31, 1998, no supplier provided more than 10% of the Partnership's total propane purchases. A portion of the Partnership's propane inventory is purchased under supply contracts which typically have a one year term and a fluctuating price relating to spot market prices. Certain of the Partnership's contracts specify certain minimum and maximum amounts of propane to be purchased thereunder. The Partnership may purchase and store inventories of propane in order to help insure uninterrupted deliverability during periods of extreme demand. The Partnership owns three underground storage facilities with an aggregate capacity of approximately 184 million gallons. Currently, approximately 148 million gallons of this capacity is leased to third parties. The remaining space is available for the Partnership's use.

Propane is generally transported from natural gas processing plants and refineries, pipeline terminals and storage facilities to retail distribution outlets and wholesale customers by railroad tank cars leased by the Partnership and highway transport trucks owned or leased by the Partnership. The Partnership operates a fleet of transport trucks to transport propane from refineries, natural gas processing plants or pipeline terminals to its retail distribution outlets. Common carrier transport trucks may be used during the peak delivery season in the winter months or to provide service in areas where economic considerations favor common carrier use. Propane is then transported from the Partnership's retail distribution outlets to customers by its fleet of 1,596 bulk delivery trucks, which are fitted generally with 2,000 to 3,000 gallon propane tanks. Propane storage tanks located on the customers' premises are then filled from the delivery truck. Propane is also delivered to customers in portable cylinders.

Industry and Competition

Industry

Based upon industry publications, propane accounts for approximately 3% to 4% of household energy consumption in the United States, an average level which has remained relatively constant for the past two decades. Propane competes primarily with natural gas, electricity and fuel oil as an energy source principally on the basis of price, availability and portability. Propane serves as an alternative to natural gas in rural and suburban areas where natural gas is unavailable or portability of product is required. Propane is generally more

expensive than natural gas on an equivalent BTU basis in locations served by natural gas, although propane is often sold in such areas as a standby fuel for use during peak demands and during interruption in natural gas service. The expansion of natural gas into traditional propane markets has historically been inhibited by the capital costs required to expand distribution and pipeline systems. Although the extension of natural gas pipelines tends to displace propane distribution in the neighborhoods affected, the Partnership believes that new opportunities for propane sales arise as more geographically remote neighborhoods are developed. Propane is generally less expensive to use than electricity for space heating, water heating and cooking and competes effectively with electricity in those parts of the country where propane is cheaper than electricity on an equivalent BTU basis. Although propane is similar to fuel oil in application, market demand and price, propane and fuel oil have generally developed their own distinct geographic markets. Because residential furnaces and appliances that burn propane will not operate on fuel oil, a conversion from one fuel to the other requires the installation of new equipment. The Partnership's residential retail propane customers, therefore, will have an incentive to switch to fuel oil only if fuel oil becomes significantly less expensive than propane. Likewise, the Partnership may be unable to expand its customer base in areas where fuel oil is widely used, particularly the Northeast, unless propane becomes significantly less expensive than fuel oil. Alternatively, many industrial customers who use propane as a heating fuel have the capacity to switch to other fuels, such as fuel oil, on the basis of availability or minor variations in price. The Partnership believes that propane generally is becoming increasingly favored over fuel oil and other alternative sources of fuel as an environmentally preferred energy source.

Competition

In addition to competing with marketers of other fuels, the Partnership competes with other companies engaged in the retail propane distribution business. Competition within the propane distribution industry stems from two types of participants: the larger multi-state marketers, and the smaller, local independent marketers. Based upon industry publications, the Partnership believes that the ten largest multi-state retail marketers of propane, including the Partnership, account for approximately 33% of the total retail sales of propane in the United States. Based upon information contained in industry publications for calendar year 1997, the Partnership also believes no single marketer has a greater than 10% share of the total market in the United States and that the Partnership is the second largest retail marketer of propane in the United States, with a market share of approximately 8% as measured by volume of national retail propane sales.

Most of the Partnership's retail distribution outlets compete with three or more marketers or distributors. The principal factors influencing competition among propane marketers are price and service. The Partnership competes with other retail marketers primarily on the basis of reliability of service and responsiveness to customer needs, safety and price. Each retail distribution outlet operates in its own competitive environment because retail marketers locate in close proximity to customers to lower the cost of providing service. The typical retail distribution outlet has an effective marketing radius of approximately 25 miles.

Other Operations

The other operations of the Partnership consist principally of: (1) trading, (2) chemical feedstocks marketing and (3) wholesale propane marketing. The Partnership, through its natural gas liquids trading operations and wholesale marketing, has become one of the leading independent traders of propane and natural gas liquids in the United States. The Partnership owns no properties that are material to these operations. These operations may utilize available space in the Partnership's underground storage facilities in the furtherance of these businesses. Because the Partnership possesses a large distribution system, underground storage capacity and the ability to buy large volumes of propane, the Partnership believes that it is in a position to achieve product cost savings and avoid shortages during periods of tight supply to an extent not generally available to other retail propane distributors.

Trading

The Partnership's traders are engaged in trading propane and other natural gas liquids for the Partnership's account and for supplying the Partnership's retail and wholesale propane operations. The Partnership primarily trades products purchased from its over 125 suppliers; however, it also conducts transactions on the New York Mercantile Exchange. Trading activity is conducted primarily to generate a profit independent of the retail and wholesale operations, but is also conducted to insure the availability of propane during periods of short supply. Propane represents over 60% of the Partnership's total trading volume, with the remainder consisting principally of various other natural gas liquids. The Partnership attempts to minimize trading risk through the enforcement of its trading policies, which include total inventory limits and loss limits, and attempts to minimize credit risk through credit checks and application of its credit policies. However, there can be no assurance that historical experience or the existence of such policies will prevent trading losses in the future. For the Partnership's fiscal years ended July 31, 1998, 1997 and 1996 net revenues of $7.5 million, $5.5 million, and $7.3 million, respectively, were derived from trading activities.

Chemical Feedstocks Marketing

The Partnership is also involved in the marketing of refinery and petrochemical feedstocks. Petroleum by-products are purchased from refineries and sold to petrochemical plants. The Partnership leases 314 tank cars to facilitate product delivery. Revenues of $15.3 million, $29.8 million and $44.4 million were derived from such activities for the Partnership's fiscal years ended July 31, 1998, 1997 and 1996, respectively.

Wholesale Marketing

The Partnership engages in the wholesale distribution of propane to other retail propane distributors. During the fiscal years ended July 31, 1998, 1997 and 1996, the Partnership sold 136 million, 123 million and 104 million gallons, respectively, of propane to wholesale customers and had revenues attributable to such sales of $49.9 million, $57.5 million and $42.6 million, respectively.

Employees

The Partnership has no employees and is managed by the General Partner pursuant to the Partnership Agreement. At July 31, 1998, the General Partner had 3,494 full-time employees and 831 temporary and part-time employees. At July 31, 1998, the General Partner's full-time employees were employed in the following areas:

Retail Locations	2,933
Transportation and Storage	248
Corporate Offices (Liberty, MO & Houston, TX)	313
Total	3,494

Approximately one percent of the General Partner's employees are represented by five local labor unions, which are all affiliated with the International Brotherhood of Teamsters. The General Partner has not experienced any significant work stoppages or other labor problems.

The Partnership's supply, trading, chemical feedstocks marketing, distribution scheduling and product accounting functions are operated primarily out of the Partnership's offices located in Houston, by a total full-time corporate staff of 68 people.

Governmental Regulation; Environmental and Safety Matters

From August 1971 until January 1981, the United States Department of Energy regulated the price and allocation of propane. The Partnership is no longer subject to any similar regulation.

Propane is not a hazardous substance within the meaning of federal and state environmental laws. In connection with all acquisitions of retail propane businesses that involve the purchase of real estate, the Partnership conducts a due diligence investigation to attempt to determine whether any substance other than propane has been sold from or stored on any such real estate prior to its purchase. Such due diligence includes questioning the sellers, obtaining representations and warranties concerning the sellers' compliance with environmental laws and visual inspections of the properties, whereby employees of the General Partner look for evidence of hazardous substances or the existence of underground storage tanks.

With respect to the transportation of propane by truck, the Partnership is subject to regulations promulgated under the Federal Motor Carrier Safety Act. These regulations cover the transportation of hazardous materials and are administered by the United States Department of Transportation ("DOT"). National Fire Protection Association Pamphlet No. 58, which establishes a set of rules and procedures governing the safe handling of propane, or comparable regulations, have been adopted as the industry standard in a majority of the states in which the Partnership operates.

The Partnership complies in all material respects with all material governmental regulations and industry standards applicable to environmental and safety matters, except that the Partnership was not in compliance with Final Rule for Continued Operation of the Present Propane Trucks published August 18, 1997 (the "Final Interim Rule") on emergency shut off valves on bobtail vehicles. The DOT has taken the position that all existing emergency shut off devices used on propane cargo vessels fail to comply with the existing Emergency Discharge Control Regulation 49CFR 178.337-11. Accordingly, the DOT has issued a Final Interim Rule that requires all transporters of propane to implement revised procedures to ensure immediate activation of the emergency shut off device in the event of a catastrophic failure of a cargo vehicle's discharge system. As a result of actions filed by five of the principal multi-state propane marketers (including the Partnership), the United States District Court for the Western District of Missouri issued a preliminary injunction against the DOT in February, 1998, staying and postponing certain provisions of the Final Interim Rule. As a result of the preliminary injunction, the Partnership is now in full compliance with the court modified Final Interim Rule for bobtails and transport vehicles. The Partnership is working with both the DOT and outside experts to develop a system for bobtail vehicles that complies with the existing Emergency Discharge Control Regulations as well as the provisions of the Final Interim Rule. In June 1998, the DOT established a formal Regulation Negotiation Committee to address these issues and the Partnership was granted a seat on this committee. At this time, the Partnership cannot determine whether enforcement of the Final Interim Rule will be permanently enjoined, or the ultimate long-term cost of compliance with the Final Interim Rule to the Partnership or the propane industry in general.

Service Marks and Trademarks

The Partnership markets retail propane under the "Ferrellgas" tradename and uses the tradename "Ferrell North America" for its wholesale operations. In addition, the Partnership has a trademark on the name "FerrellMeter," its patented gas leak detection device. The Company contributed all of its rights, title and interest in such tradenames and trademark in the continental United States to the Partnership. The General Partner will have an option to purchase such tradenames and trademark from the Partnership for a nominal value if the General Partner is removed as general partner of the Partnership other than for cause. If the General Partner ceases to serve as the general partner of the Partnership for any other reason, it will have the option to purchase such tradenames and trademark from the Partnership for fair market value.

Business of Ferrellgas Partners Finance Corp.

Ferrellgas Partners Finance Corp. (the "Finance Corp") a Delaware corporation was formed on March 28, 1996, and is a wholly-owned subsidiary of the MLP. The Finance Corp has nominal assets and does not conduct any operations, but serves as a co-obligor for securities issued by the MLP. Certain institutional investors that might otherwise be limited in their ability to invest in securities issued by the MLP by reasons of the legal investment laws of their states of organization or their charter documents, may be able to invest in the MLP's securities because the Finance Corp is a co-obligor. Accordingly, a discussion of the results of operations, liquidity and capital resources of the Finance Corp is not presented. See the Finance Corp's notes to the financial statements for a discussion of the securities with respect to which the Finance Corp is serving as a co-obligor.

ITEM 2. PROPERTIES.

The Partnership owns or leases the following transportation equipment which is utilized primarily in retail operations, except for railroad tank cars, which are used primarily by chemical feedstocks operations.

	Owned	Leased	Total
Truck tractors	92	69	161
Transport trailers	263	14	277
Bulk delivery trucks	814	782	1,596
Pickup and service trucks	995	491	1,486
Railroad tank cars	-	314	314

The transport trailers have an average capacity of approximately 9,000 gallons. The bulk delivery trucks are generally fitted with 2,000 to 3,000 gallon propane tanks. Each railroad tank car has a capacity of approximately 30,000 gallons.

A typical retail distribution outlet is located on one to three acres of land and includes a small office, a workshop, bulk storage capacity of 18,000 gallons to 60,000 gallons and a small inventory of stationary customer storage tanks and portable propane cylinders that the Partnership provides to its retail customers for propane storage. The Partnership owns the land and buildings of approximately 50% of its retail outlets and leases the remaining facilities on terms customary in the industry and in the applicable local markets.

Approximately 697,000 propane tanks are owned by the Partnership, most of which are located on customer property and leased to those customers. The Partnership also owns approximately 626,000 portable propane cylinders, most of which are leased to industrial and commercial customers for use in manufacturing and processing needs, including forklift operations, and to residential customers for home heating and cooking, and to local dealers who purchase propane from the Partnership for resale.

The Partnership owns underground storage facilities at Hutchinson, Kansas; Adamana, Arizona; and Moab, Utah. At July 31, 1998, the capacity of these facilities was approximatly 88 million gallons, 88 million gallons and 8 million gallons, respectively (an aggregate of approximately 184 million gallons). Currently, approximately 148 million gallons of this capacity is leased to third parties. The remaining space is available for the Partnership's use.

The Partnership owns the land and two buildings (50,245 square feet of office space) comprising its corporate headquarters in Liberty, Missouri, and leases 27,696 square feet of office space in Houston, Texas, where its trading, chemical feedstocks marketing and wholesale marketing operations are primarily located.

The Partnership believes that it has satisfactory title to or valid rights to use all of its material properties and, although some of such properties are subject to liabilities and leases and, in certain cases, liens for taxes not yet currently due and payable and immaterial encumbrances, easements and restrictions, the Partnership does not believe that any such burdens will materially interfere with the continued use of such properties in its business, taken as a whole. In addition, the Partnership believes that it has, or is in

the process of obtaining, all required material approvals, authorizations, orders, licenses, permits, franchises and consents of, and has obtained or made all required material registrations, qualifications and filings with, the various state and local governmental and regulatory authorities which relate to ownership of the Partnership's properties or the operations of its business.

ITEM 3. LEGAL PROCEEDINGS.

Propane is a flammable, combustible gas. Serious personal injury and property damage can occur in connection with its transportation, storage or use. The Partnership, in the ordinary course of business, is threatened with or is named as a defendant in various lawsuits which, among other items, seek actual and punitive damages for product liability, personal injury and property damage. The Partnership maintains liability insurance policies with insurers in such amounts and with such coverages and deductibles as it believes is reasonable and prudent. However, there can be no assurance that such insurance will be adequate to protect the Partnership from material expenses related to such personal injury or property damage or that such levels of insurance will continue to be available in the future at economical prices. It is not possible to determine the ultimate disposition of these matters discussed above; however, management is of the opinion that there are no known claims or known contingent claims that are likely to have a material adverse effect on the results of operations or financial condition of the Partnership.

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

No matters were submitted to a vote of the security holders of the Partnership during the fiscal year ended July 31, 1998.

PART II

ITEM 5. MARKET FOR REGISTRANT'S UNITS AND RELATED UNITHOLDER MATTERS.

The Common Units, representing common limited partner interests in the Partnership, are listed and traded on the New York Stock Exchange ("NYSE") under the symbol FGP. The Common Units began trading on June 28, 1994, at an initial public offering price of $21.00 per Common Unit. As of October 12, 1998, there were 745 registered Common Unitholders of record. The following table sets forth the high and low sales prices for the Common Units on the NYSE and the cash distributions declared per Common Unit for the periods indicated.

	Common Unit Price Range				Distributions	
	High		Low		Declared per Unit	
	1997	1998	1997	1998	1997	1998
First Quarter	$23.50	$24.25	$22.50	$22.63	$0.50	$0.50
Second Quarter	22.88	23.25	20.75	22.00	0.50	0.50
Third Quarter	23.00	22.63	21.13	20.25	0.50	0.50
Fourth Quarter	23.00	21.94	21.25	20.25	0.50	0.50

The Partnership also has issued Subordinated Units, all of which are held by Ferrell, for which there is no established public trading market.

The Partnership makes quarterly cash distributions of its Available Cash, as defined by the MLP's Partnership Agreement. Available Cash is generally defined as consolidated cash receipts less consolidated cash disbursements and changes in cash reserves established by the General Partner for future requirements.

The Partnership is not subject to federal income taxes. Instead, Unitholders are required to report their allocable share of the Partnership's income, gains, losses, deductions and credits, regardless of whether the Partnership makes distributions.

ITEM 6. SELECTED HISTORICAL AND PRO FORMA FINANCIAL DATA.

The following table presents selected consolidated historical and pro forma financial data of the Partnership and Predecessor.

(in thousands, except per unit data)

	Ferrellgas Partners L.P.						(Predecessor)
	Historical				Pro Forma	Historical	Historical
	Year Ended July 31,				Year Ended July 31,	Inception to July 31,	Eleven Months Ended June 30,
	1998	1997	1996	1995	1994 (1)	1994	1994
Income Statement Data:							
Total revenues	$ 667,353	$ 804,298	$ 653,640	$ 596,436	$ 526,556	$ 24,566	$ 501,990
Depreciation and amortization	45,009	43,789	37,024	32,014	28,835	2,383	26,452
ESOP compensation charge	350						
Operating income (loss)	52,760	68,819	62,506	55,927	68,631	(2,391)	71,522
Interest expense	49,129	45,769	37,983	31,993	28,130	2,662	53,693
Earnings (loss) from continuing operations	4,943	23,218	24,312	23,820	39,909	(5,026)	12,337
Earnings from continuing operations per unit	0.16	0.74	0.77	0.76	1.29		
Cash distributions declared per unit (3)	2.00	2.00	2.00	1.65			
Balance Sheet Data (at end of period):							
Working capital	$ (443)	$ 18,111	$ 15,294	$ 28,928	$ 34,948	$ 34,948	$ 91,912
Total assets	621,223	657,076	654,295	578,596	477,193	477,193	592,664
Pay to (rec from) parent and affiliates							(4,050)
Long-term debt	507,222	487,334	439,112	338,188	267,062	267,062	476,441
Stockholder's equity							22,829
Partners' Capital:							
Common Unitholders	$ 27,985	$ 52,863	$ 71,323	$ 84,489	$ 84,532	$ 84,532	
Subordinated Unitholders	19,908	50,337	71,302	91,824	99,483	99,483	
General Partner (2)	(58,976)	(58,417)	(58,016)	(57,676)	(62,622)	(62,622)	
Operating Data:							
Retail propane sales volumes (in gallons)	659,932	693,995	650,214	575,935	564,224	23,915	540,309
Capital expenditures (4):							
Maintenance	$ 10,569	$ 10,137	$ 6,657	$ 8,625	$ 5,688	$ 911	$ 4,777
Growth	10,060	6,055	6,654	11,097	4,032	983	3,049
Acquisition	13,003	38,780	108,803	70,069	3,429	878	2,551
Total	$ 33,632	$ 54,972	$ 122,114	$ 89,791	$ 13,149	$ 2,772	$ 10,377
Supplemental Data:							
Earnings (loss) before depreciation, amortization, interest and taxes (5)	$ 98,119	$ 112,608	$ 99,530	$ 87,941	$ 97,466	$ (8)	$ 97,974

(1) The pro forma year ended July 31, 1994 includes the eleven months ended June 30, 1994 and historical financial data of the Partnership for the period from inception, July 5, 1994, to July 31, 1994 (adjusted principally for the pro forma effect on interest expense resulting from the early retirement of debt net of additional borrowings).

(2) Pursuant to the MLP's Partnership Agreement, the net loss from continuing operations of $5,026,000 was allocated 100% to the General Partner from inception of the Partnership to the last day of the taxable year ending July 31, 1994. An amount equal to 99% of this net loss was reallocated to the limited partners in the taxable year ending July 31, 1995 based on their ownership percentage. In addition, the retirement of debt assumed by the Partnership resulted in an extraordinary loss of approximately $60,062,000 resulting from debt prepayment premiums, consent fees and the write-off of unamortized discount and financing costs. In accordance with the Partnership Agreement, this extraordinary loss was allocated 100% to the General Partner and was not reallocated to the limited partners in the next taxable year.

(3) No cash distributions were declared by the Partnership from inception to July 31, 1994. The $0.65 distribution made at the end of the 1995 first quarter included $0.50 for the first quarter 1995 and $0.15 for the inception period.

(4) The Partnership's capital expenditures fall generally into three categories: (i) maintenance capital expenditures, which include expenditures for repair and replacement of property, plant and equipment; (ii) growth capital expenditures, which include expenditures for purchases of new propane tanks and other equipment to facilitate expansion of the Partnership's customer base and operating capacity; and (iii) acquisition capital expenditures, which include expenditures related to the acquisitions of retail propane operations. Acquisition capital expenditures represent total cost of acquisition less working capital acquired.

(5) EBITDA is calculated as operating income (loss) plus depreciation and amortization and an ESOP related non-cash compensation charge. EBITDA is not intended to represent cash flow and does not represent the measure of cash available for distribution. EBITDA is a non-GAAP measure, but provides additional information for evaluating the Partnership's ability to make the Minimum Quarterly Distribution. In addition, EBITDA is not intended as an alternative to earnings (loss) from continuing operations or net earnings (loss).

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

The following is a discussion of the historical financial condition and results of operations for Ferrellgas Partners, L.P. and its subsidiaries and should be read in conjunction with the historical consolidated financial statements and accompanying notes thereto included elsewhere in this Form 10-K.

Forward-looking statements

Statements included in this report that are not historical facts, including statements concerning the Partnership's belief that the OLP will have sufficient funds to meet its obligations to enable it to distribute to the MLP sufficient funds to permit the MLP to meet its obligations with respect to the MLP Senior Secured Notes issued in April 1996, and to enable it to distribute the Minimum Quarterly Distribution ($0.50 per Unit) on all Common Units and Subordinated Units, are forward-looking statements.

Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in or implied by the statements. The risks and uncertainties include but are not limited to the following and their effect on the Partnership's operations: a) the effect of weather conditions on demand for propane, b) price and availability of propane supplies, c) the availability of capacity to transport propane to market areas, d) competition from other energy sources and within the propane industry, e) operating risks incidental to transporting, storing, and distributing propane, f) changes in interest rates g) governmental legislation and regulations, h) energy efficiency and technology trends i) Year 2000 compliance and j) other factors that are discussed in the Partnership's filings with the Securities and Exchange Commission.

Year 2000 Compliance

Many computer systems and applications in use throughout the world today may not be able to appropriately interpret dates beginning in the year 2000 ("Year 2000" issue). As a result, this problem could have adverse consequences on the operations of companies and the integrity of information processing.

The Partnership began the process in 1997 of identifying and correcting its computer systems and applications that were exposed to the Year 2000 issue. The Partnership initially focused on the systems and applications that were considered critical to its operations and services for supplying propane to its customers and to its ability to account for those business services accurately. These critical areas include the retail propane accounting and operations system, financial accounting and reporting system, local area network and electronic mail systems. The Partnership expects that these critical areas will be Year 2000 compliant by December 31, 1999.

The Partnership has also taken steps to identify other non-critical applications that may have exposure to the Year 2000 issue. It has established a test lab for the independent testing of these applications to ensure Year 2000 compatibility. To date, no material Year 2000 issues have been identified as a result of this testing.

The Partnership conducts business with several hundred outside suppliers. While no single supplier is considered material to the Partnership, a combined number could constitute a material amount to the Partnership. The Partnership is currently reviewing their largest suppliers to obtain appropriate assurances that they are, or will be, Year 2000 compliant. If compliance by the Partnership's suppliers is not achieved in a timely manner, it is unknown what effect, if any, the Year 2000 issue could have on the Partnership's operations.

The Partnership has evaluated its Year 2000 issues and does not expect that the total cost of related modifications and conversions will have a material effect on its financial position, results of operations or cash flows. Such costs are being expensed as incurred. To date, the Partnership has currently incurred approximately $100,000 to identify and correct its Year 2000 issues. This expense has been primarily related to its critical systems and applications. It is estimated that the Partnership will incur an additional $300,000 to $500,000 during the next fiscal year to identify and correct its Year 2000 issues. The Partnership does not anticipate significant purchases of computer software or hardware as a result of its Year 2000 issue and does not believe that the correction of its Year 2000 issues will delay or eliminate other scheduled computer upgrades and replacements.

General

The Partnership is engaged in the sale, distribution, marketing and trading of propane and other natural gas liquids. The Partnership's revenue is derived primarily from the retail propane marketing business. The Partnership believes that it is the second largest retail marketer of propane in the United States, based on gallons sold, serving more than 800,000 residential, industrial/commercial and agricultural customers in 45 states and the District of Columbia through approximately 566 retail outlets and 298 satellite locations. Annual retail propane sales volumes were 660 million, 694 million, and 650 million gallons for the fiscal years ended July 31, 1998, 1997, and 1996, respectively.

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

The Partnership is also engaged in the trading of propane and other natural gas liquids, chemical feedstocks marketing and wholesale propane marketing. Through its natural gas liquids trading operations and wholesale marketing, the Partnership is one of the leading independent traders of propane and natural gas liquids in the United States.

The Partnership's traders are engaged in trading propane and other natural gas liquids for the Partnership's account and for supplying the Partnership's retail and wholesale propane operations. The Partnership primarily trades products purchased from its over 125 suppliers, however, it also conducts transactions on the New York Mercantile Exchange. Trading activity is conducted primarily to generate a profit independent of the retail and wholesale operations, but is also conducted to insure the availability of propane during periods of short supply. Propane represents over 60% of the Partnership's total trading volume, with the remainder consisting principally of various other natural gas liquids. For the Partnership's fiscal years ended July 31, 1998, 1997 and 1996, net revenues from trading activities were $7.5 million, $5.5 million and $7.3 million, respectively.

Selected Quarterly Financial Data
(in thousands, except per unit data)

Due to the seasonality of the retail propane business, first and fourth quarter revenues, gross profit and net earnings are consistently less than the comparable second and third quarter results. Other factors affecting the results of operations include competitive conditions, demand for product, variations in the weather and fluctuations in propane prices.

The following presents the Partnership's selected quarterly financial data for the two years ended July 31, 1998.

Fiscal year ended July 31, 1998

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenues	$153,205	$248,811	$175,167	$90,170
Gross profit	66,589	117,932	89,449	50,783
Net earnings (loss)	(13,311)	32,759	10,775	(25,280)
Net earnings (loss) per limited partner unit	(0.42)	1.04	0.34	(0.80)

Fiscal year ended July 31, 1997

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenues	$167,860	$347,056	$192,873	$96,509
Gross profit	66,288	138,258	82,844	46,780
Net earnings (loss)	(10,790)	49,430	7,685	(23,107)
Net earnings (loss) per limited partner unit	(0.34)	1.57	0.24	(0.73)

Results of Operations

Fiscal Year Ended July 31, 1998 versus Fiscal Year Ended July 31, 1997

Total Revenues. Total revenues decreased 17.0% to $667,353,000 as compared to $804,298,000 in the prior year, primarily due to a decrease in sales price per gallon as a result of the unusually higher wholesale cost of propane experienced in the previous year, the effects of the warmer weather, and a

decrease in revenues from other operations (net trading operations, wholesale propane marketing and chemical feedstocks marketing), partially offset by acquisitions of propane businesses.

A less volatile propane market during fiscal 1998 caused a significant decrease in the cost of product, which in turn caused a decrease in sales price per gallon as compared to fiscal 1997. Retail volumes decreased by 4.9% or 34,063,000 gallons, primarily due to the decrease in volumes related to the unusually warm winter during fiscal 1998, attributable in large part to the El Nino weather phenomenon. The winter of fiscal 1998 was reported as the second warmest winter in recorded history. For the year, temperatures were 8% warmer than normal and 4% warmer than the same period last year as reported by the American Gas Association. The warmer than normal temperatures were also compounded by other El Nino related weather factors such as reduced wind chill, humidity, snow and cloud cover, all of which contributed to a lower demand for propane and a decrease in earnings for the Partnership.

The 29.7% decrease in revenues from other operations to $73,123,000 is due to a decrease in wholesale sales price per gallon and a decrease in chemical feedstocks marketing revenues. Wholesale marketing sales price per gallon decreased primarily due to the decrease in the cost of product compared to last year. Chemical feedstocks volumes decreased as a result of decreased marketing demand from petrochemical companies.

Gross Profit. Gross profit decreased 2.8% to $324,753,000 as compared to $334,170,000 during fiscal 1997, primarily due to a decrease in retail sales gross margin dollars, partially offset by an increase from trading profits. Retail operations results decreased primarily due to decreased volumes attributed to the warmer weather, partially offset by the impact of increased retail margins and the increase in volumes attributed to acquisitions.

Operating Expenses. Operating expenses increased slightly to $199,010,000 in fiscal 1998 as compared to $198,298,000 in fiscal 1997. This year's operating expenses were impacted by decreased variable expenses, resulting from reduced gallon deliveries due to the warmer weather, offset by increased expenses associated with acquisitions.

Vehicle and Tank Lease Expense. Vehicle and tank lease expense increased by $2,694,000 due to the utilization of operating lease financing to fund fleet upgrades and replacements.

Interest Expense. Interest expense increased 7.3% over the prior year due primarily to increased borrowings for the financing of acquisitions, partially offset by a slight decrease in the average interest rate paid by the Partnership on its variable rate borrowings.

Fiscal Year Ended July 31, 1997 versus Fiscal Year Ended July 31, 1996

Total Revenues. Total revenues increased 23.0% to $804,298,000 as compared to $653,640,000 in the prior year, primarily due to increased sales price per retail gallon, increased retail propane volumes, and to a lesser extent an increase in revenues from other operations (net trading operations, wholesale propane marketing and chemical feedstocks marketing).

A volatile propane market during the first half of fiscal 1997 caused a significant increase in the cost of product which in turn caused an increase in sales price per gallon. Retail volumes increased by 6.7% or 44 million gallons, primarily due to the increase in volumes related to acquisitions partially offset by the effect of warmer weather during fiscal 1997 as compared to fiscal 1996 and by customer conservation efforts. Fiscal 1997 winter temperatures, as reported by the American Gas Association, were 6% warmer than the prior year and 4% warmer than normal.

The 10.2% increase in revenues from other operations to $103,971,000 was due to an increase in wholesale marketing volumes and sales price per gallon, partially offset by a decrease in chemical feedstocks marketing revenues. Wholesale marketing volumes increased primarily due to the effect of acquisitions, while prices increased as a result of increased cost of product. Chemical feedstocks volumes decreased as a result of decreased availability of

product from refineries and decreased demand from petrochemical companies. Unrealized gains and losses on options, forwards, and futures contracts were not significant at July 31, 1997 and 1996, respectively.

Gross Profit. Gross profit increased 12.4% to $334,170,000 as compared to $297,326,000 in the 1996 fiscal year, primarily due to an increase in retail sales gross margin, partially offset by a decrease in gross profits from other operations. Retail operations results increased primarily due to the increase in volumes attributed to acquisitions and an increase in retail margins, partially offset by the effect of warmer weather and customer conservation efforts. Wholesale marketing and chemical feedstocks was comprised of low margin sales, therefore, the net increase in revenues did not significantly affect gross profit.

Operating Expenses. Operating expenses increased 10.5% to $198,298,000 as compared to $179,462,000 in the prior year primarily due to acquisition related increases in personnel costs, plant and office expenses, and vehicle and other expenses, partially offset by favorable general liability claims experience.

Depreciation and Amortization. Depreciation and amortization expense increased 18.3% to $43,789,000 as compared to $37,024,000 for the prior year due primarily to acquisitions of propane businesses.

Interest Expense. Interest expense increased 20.5% over the prior year. This increase was primarily the result of the MLP's issuance of $160,000,000 of 9 3/8% Senior Secured Notes in April 1996, the proceeds of which were primarily used to fund acquisitions made in fiscal 1996, partially offset by an overall decrease in interest rates on borrowings during the year.

Liquidity and Capital Resources

The ability of the MLP to satisfy its obligations is dependent upon future performance, which will be subject to prevailing economic, financial, business and weather conditions and other factors, many of which are beyond its control. For the fiscal year ending July 31, 1999, the General Partner believes that the OLP will have sufficient funds to meet its obligations and enable it to distribute to the MLP sufficient funds to permit the MLP to meet its obligations with respect to the $160,000,000 senior secured notes issued in April 1996 ("MLP Senior Secured Notes").

The MLP Senior Secured Notes, the $350,000,000 OLP senior notes ("New Senior Notes") and the amended and restated OLP credit facility ("New Credit Facility") agreements contain several financial tests which restrict the Partnership's ability to pay distributions, incur indebtedness and engage in certain other business transactions (See Financing Activities below). These tests, in general, are based on the ratio of the MLP's and OLP's consolidated cash flow to fixed charges, primarily interest expense. Because the Partnership is more highly leveraged at the MLP than at the OLP, the tests related to the MLP Senior Secured Notes are more sensitive to fluctuations in consolidated cash flows and fixed charges. The most sensitive of the MLP related tests restricts the Partnership's ability to make certain Restricted Payments which includes, but is not limited to, the payment of the Minimum Quarterly Distribution ("MQD") to unitholders.

Although the MLP's financial performance during fiscal 1998 was adversely impacted by the El Nino weather pattern and associated unseasonably warmer temperatures, the Partnership believes it will continue to meet the MLP Senior Secured Notes Restricted Payment test during fiscal 1999, in addition to meeting the other financial tests in the MLP Senior Secured Notes, New Senior Notes and New Credit Facility. However, if the Partnership were to encounter any unexpected downturns in business operations, it could result in the Partnership not meeting certain financial tests in future quarters, including but not limited to, the MLP Senior Secured Notes Restricted Payment test. Depending on the circumstances, the Partnership would pursue alternatives to permit the continued payment of MQD to its Common Unitholders. No assurances can be given, however, that such alternatives will be successful with respect to any given quarter.

On August 1, 1999, the subordination period will end and the Subordinated Units will convert to Common Units, provided that certain remaining financial tests, which are related to making the MQD on all Common and Subordinated Units, are satisfied for each of the three consecutive four quarter periods ending on July 31, 1999. The Partnership met such financial tests for the four quarter periods ended July 31, 1997 and July 31, 1998, respectively. There can be no assurance that the Partnership will meet the remaining financial tests in the subsequent four quarter period and that the Subordinated Units will convert to Common Units on August 1, 1999.

Future maintenance and working capital needs of the Partnership are expected to be provided by cash generated from future operations, existing cash balances and the working capital borrowing facility. In order to fund expansive capital projects and future acquisitions, the OLP may borrow on existing bank lines, the MLP or OLP may issue additional debt or the MLP may issue additional Common Units. Toward this purpose the MLP maintains a shelf registration statement with the Securities and Exchange Commission for 1,800,322 Common Units representing limited partner interests in the MLP. The Common Units may be issued from time to time by the MLP in connection with the OLP's acquisition of other businesses, properties or securities in business combination transactions.

Operating Activities. Cash provided by operating activities was $74,337,000 for the year ended July 31, 1998, compared to $75,087,000 in the prior year. This small decrease was primarily due to the decreased inventory and increased accounts payable partially offset by decreased net income as compared to July 31, 1997. These results were caused primarily by a decrease in propane prices, the decrease in volumes held in inventory and reduced retail volume activity as compared to those experienced during fiscal 1997.

Investing Activities. The Partnership made total acquisition capital expenditures of $12,670,000 (including ($333,000) of working capital) during fiscal 1998. This amount was funded by $9,839,000 cash payments, $2,000,000 in Common Units and $831,000 in other costs and consideration.

During the year ended July 31, 1998, the Partnership made growth and maintenance capital expenditures of $20,629,000 primarily for the following purposes: 1) additions to Partnership-owned customer tanks and cylinders, 2) relocating and upgrading district plant facilities, 3) upgrading computer equipment and software and 4) vehicle lease buyouts. Capital requirements for repair and maintenance of property, plant and equipment are relatively low since technological change is limited and the useful lives of propane tanks and cylinders, the Partnership's principal physical assets, are generally long. The Partnership maintains its vehicle and transportation equipment fleet by leasing light and medium duty trucks and tractors. The Partnership believes vehicle leasing is a cost effective method for meeting the Partnership's transportation equipment needs. The Partnership continues to seek expansion of its operations through strategic acquisitions of smaller retail propane operations located throughout the United States. These acquisitions will be funded through internal cash flow, external borrowings or the issuance of additional Partnership interests. The Partnership does not have any material commitments of funds for capital expenditures other than to support the current level of operations. In fiscal 1999, the Partnership does not expect a significant increase in growth and maintenance capital expenditures as compared to fiscal 1998 levels.

Financing Activities. On August 4, 1998, the OLP issued $350,000,000 of new privately placed unsecured senior notes ("New Senior Notes") and entered into a $145,000,000 revolving credit facility ("New Credit Facility") with its existing banks. The proceeds of the New Senior Notes, which include five series with maturities ranging from year 2005 through 2013 at an average fixed interest rate of 7.16%, were used to redeem $200,000,000 of OLP fixed rate Senior Notes ("Senior Notes") issued in July 1994, including a 5% call premium, and to repay outstanding indebtedness under the existing OLP revolving credit facility ("Credit Facility"). As a result of these financings, the Partnership expects to realize a decrease in interest expense during fiscal 1999. See Note E to the audited financial statements included elsewhere in this report for additional information regarding the New Senior Notes and the New Credit Facility.

On July 17, 1998, all of the outstanding common stock of Ferrell was purchased by a newly established ESOT. As a result of this change in control in the ownership of Ferrell and indirectly in the General Partner, the MLP,

pursuant to the MLP Senior Secured Note Indenture, was required to offer to purchase the outstanding notes at a price of 101% of the principal amount thereof. See Note E to the audited financial statements included elsewhere in this report for additional details regarding the offer to purchase the MLP Senior Secured Notes.

During the fiscal year ended July 31, 1998, the Partnership borrowed $20,458,000 under its $255,000,000 Credit Facility to fund expected seasonal working capital needs, business acquisitions, and capital expenditures. In addition, letters of credit outstanding, used primarily to secure obligations under certain insurance arrangements, totaled $29,056,000. Giving affect to the issuance of the New Senior Notes and the New Credit Facility completed August 4, 1998, the OLP would have had $96,944,000 million available for general corporate, acquisition and working capital purposes under the New Credit Facility at July 31, 1998. The Partnership typically has significant cash needs during the first quarter due to expected low revenues, increasing inventories and the Partnership's cash distribution paid in mid-September.

On April 26, 1996, the MLP issued the MLP Senior Secured Notes. These notes will be redeemable at the option of the Partnership, in whole or in part, at any time on or after June 15, 2001. Interest is payable semi-annually in arrears on June 15 and December 15.

To offset the variable rate characteristic of the revolving credit facility borrowings, the OLP has entered into interest rate collar agreements, expiring between October 1998 and December 2001 with two major banks, that effectively limit interest rates on a certain notional amount between 4.9% and 6.5% under the current pricing arrangement. At July 31, 1998, the total notional principal amount of these agreements was $100,000,000.

During the year ended July 31, 1998, the Partnership paid cash distributions of $2.00 per limited partner unit. These distributions covered the period from May 1, 1997 to April 30, 1998. On August 19, 1998, the Partnership declared its fourth-quarter cash distribution of $0.50 per limited partner unit, which was paid September 14, 1998. The Partnership's annualized distribution is presently $2.00 per limited partner unit.

The MLP Senior Secured Notes, New Senior Notes and New Credit Facility contain various restrictive covenants applicable to the MLP, the Operating Partnership and its subsidiaries, the most restrictive relating to additional indebtedness, sale and disposition of assets, and transactions with affiliates. The MLP and the Operating Partnership are in compliance with all requirements, tests, limitations and covenants related to the MLP Senior Secured Notes, the New Senior Notes and New Credit Facility. The New Senior Notes and the New Credit Facility agreements have similar restrictive covenants to the Senior Notes and Credit Facility agreements that were replaced.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

The market risk inherent in the Partnership's market risk sensitive instruments and positions is the potential loss arising from adverse changes in commodity prices. Additionally, the Partnership seeks to mitigate its interest rate risk exposure on variable rate debt by entering into interest rate collar agreements. After giving effect to the refinancing of the debt that occurred in August 1998, the Partnership had redeemed nearly all of the variable rate debt outstanding at July 31, 1998. Moreover, as of the date of this Form 10-K, the Partnership had only $25,000,000 notional amount of interest rate collar agreements effectively outstanding. Thus, assuming a material change in the variable interest rate to the Partnership, the interest rate risk related to the variable rate debt and the associated interest rate collar agreements is not material to the financial statements.

The Partnership's trading activities utilize certain types of energy commodity forward contracts and swaps traded on the over-the-counter financial markets and futures traded on the New York Mercantile Exchange ("NYMEX" or "Exchange") to anticipate market movements, manage and hedge its exposure to the volatility of floating commodity prices and to protect its inventory positions. The Partnership's non-trading activities utilize certain over-the-counter energy commodity options to limit overall price risk and to hedge its exposure to inventory price movements.

Market risks associated with energy commodities are monitored daily for compliance with the Partnership's trading policy. This policy includes specific dollar exposure limits, limits on the term of various contracts and volume limits for various energy commodities. The Partnership also utilizes loss limits and daily review of open positions to manage exposures to changing market prices.

Market and Credit Risk. NYMEX traded futures are guaranteed by the Exchange and have nominal credit risk. The Partnership is exposed to credit risk associated with futures, swaps and option transactions in the event of nonperformance by counterparties. For each counterparty, the Partnership analyzes the financial condition prior to entering into an agreement, establishes credit limits and monitors the appropriateness of each limit. The change in market value of Exchange-traded futures contracts requires daily cash settlement in margin accounts with brokers. Forwards and most other over-the-counter instruments are generally settled at the expiration of the contract term.

Sensitivity Analysis. The Partnership has prepared a sensitivity analysis to estimate the exposure to market risk of its energy commodity positions. Forward contracts, futures, swaps and options were analyzed assuming a hypothetical 10% change in forward prices for the delivery month for all energy commodities. The potential loss in future earnings from these positions from a 10% adverse movement in market prices of the underlying energy commodities is estimated at $2,707,000 as of July 31, 1998. Actual results may differ.

Further discussion of the risk management activities and accounting for derivative commodity contracts is contained in the accompanying notes to the consolidated financial statements.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The Partnership's Consolidated Financial Statements and the Reports of Certified Public Accountants thereon and the Supplementary Financial Information listed on the accompanying Index to Financial Statements and Financial Statement Schedules are hereby incorporated by reference. See Item 7 for Selected Quarterly Financial Data.

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

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANTS.

Partnership Management

The General Partner manages and operates the activities of the Partnership, and the General Partner anticipates that its activities will be limited to such management and operation. Unitholders do not directly or indirectly participate in the management or operation of the Partnership. The General Partner owes a fiduciary duty to the Unitholders.

The General Partner has appointed persons who are neither officers nor employees of the General Partner or any affiliate of the General Partner to serve on a committee of the Partnership (the "Audit Committee") with the authority to review, at the request of the General Partner, specific matters as to which the General Partner believes there may be a conflict of interest in order to determine if the resolution of such conflict proposed by the General Partner is fair and reasonable to the Partnership. The Audit Committee will only review matters relating to conflicts of interest at the request of the General Partner, and the General Partner has sole discretion to determine which matters, if any, to submit to the Audit Committee. Any matters approved by the Audit Committee will be conclusively deemed to be fair and reasonable to the Partnership, approved by all partners of the Partnership and not a breach by the General Partner of any duties it may owe the Partnership or the Unitholders.

The Partnership does not directly employ any of the persons responsible for managing or operating the Partnership. At July 31, 1998, 3,494 full-time and 831 temporary and part-time individuals were employed by the General Partner.

Directors and Executive Officers of the General Partner

The following table sets forth certain information with respect to the directors and executive officers of the General Partner at August 31, 1998. Each of the persons named below is elected to their respective office or offices annually. Only Mr. Ferrell and Mr. Sheldon have entered into employment agreements with the General Partner. See Employment Agreements.

Name	Age	Director Since	Position
James E. Ferrell	59	1984	Chairman of the Board and a Director of the General Partner
Danley K. Sheldon	40	1998	Chief Executive Officer, President and a Director of the General Partner
Patrick J. Chesterman	48		Executive Vice President
James M. Hake	38		Senior Vice President, Acquisitions
Kenneth G. Atchley	35		Vice President, Chief Operating Officer-Western U.S.
Boyd H. McGathey	39		Vice President, Chief Operating Officer-Eastern U.S.
Kevin T. Kelly	33		Vice President, Chief Financial Officer and Treasurer
A. Andrew Levison	42	1994	Director of the General Partner
Elizabeth T. Solberg	59	1998	Director of the General Partner

James E. Ferrell--Mr. Ferrell has been with Ferrell or its predecessors and its affiliates in various executive capacities since 1965. He served as Chief Executive Officer until August 1998 and as President until October 1996.

Danley K. Sheldon--Mr. Sheldon was named Chief Executive Officer in August 1998 and was named a director of the Company in July 1998. He has been President of the Company since October 1996 and was Chief Financial Officer of the Company from January 1994 until May 1998. He served as Treasurer from 1989 until 1998 and joined the Company in 1986.

Patrick J. Chesterman--Mr. Chesterman was named Executive Vice President in April 1998 after having served as Senior Vice President, Supply since September 1997. After joining the Company in June, 1994, he had one-year assignments as Vice President-Retail Operations, Director of Human Resources and Director of Field Support. Prior to joining the Company, Mr. Chesterman was Director of Fuels Policy and Operations for the U.S. Air Force.

James M. Hake--Mr. Hake was named Senior Vice President, Acquisitions in August 1998. He had been Vice President, Acquisitions of the Company since October, 1994. He joined the Company in 1986.

Kenneth G. Atchley--Mr. Atchley was named Vice President, Chief Operating Officer-Western U.S. in August 1998. He served as Regional Vice President since May 1996. After joining the Company in 1985, he held District Manager and Area Manager positions.

Boyd H. McGathey--Mr. McGathey was named Vice President, Chief Operating Officer-Eastern U.S. in August 1998. He served as Regional Vice President since February 1997. After joining the Company in 1989, he held District Manager and Area Manager positions.

Kevin T. Kelly--Mr. Kelly was named Chief Financial Officer and Treasurer in May 1998 and August 1998, respectively. After joining the Company in June 1996, he served as Director of Finance and Corporate Controller until May 1998. Prior to joining the Company, Mr. Kelly was Manager of Project Acquisitions with UtiliCorp United, Inc.

A. Andrew Levison---Mr. Levison was elected a director of the Company in September 1994. Mr. Levison has been a Managing Director of Donaldson, Lufkin & Jenrette Securities Corporation since 1989.

Elizabeth T. Solberg---Ms. Solberg was elected a director of the Company in July 1998. Ms. Solberg is Executive Vice President and Senior Partner of Fleishman-Hillard, Inc. and has been with the firm since 1976. She has been a member of the board of directors of Kansas City Life Insurance Company since 1997.

Compensation of the General Partner

The General Partner receives no management fee or similar compensation in connection with its management of the Partnership and receives no remuneration other than:

(i) distributions in respect to its 2% general partner interest, on a combined basis, in the Partnership and the Operating Partnership; and

(ii) reimbursement for all direct and indirect costs and expenses incurred on behalf of the Partnership, all selling, general and administrative expenses incurred by the General Partner for or on behalf of the Partnership and all other expenses necessary or appropriate to the conduct of the business of, and allocable to, the Partnership. The selling, general and administrative expenses reimbursed include specific employee benefits and incentive plans for the benefit of the executive officers and employees of the General Partner.

ITEM 11. EXECUTIVE COMPENSATION.

Summary Compensation Table

The following table sets forth the compensation for the past three years of the Company's Chief Executive Officer ("CEO") and the Company's four most highly compensated executive officers other than the Chief Executive Officer ("named executive officers"), who were serving as executive officers at the end of the 1998 fiscal year.

Name and Principal Position	Year	Annual Compensation Salary ($)	Annual Compensation Bonus ($)	Long-Term Compensation Awards Stock Options/ SARs (#)	Long-Term Compensation Pay-outs Long-Term Incentive Payouts ($)	All Other Compensation ($)
James E. Ferrell	1998	465,000	---	---	---	37,067 (1)
Chairman and Chief Executive Officer	1997	480,000	---	---	---	32,126
	1996	480,000	---	---	---	16,801
Danley K. Sheldon	1998	225,000	50,000	---	---	20,104 (1)
President and Treasurer	1997	218,221	---	30,000	---	15,440
	1996	177,500	100,000	---	---	13,972
Patrick J. Chesterman	1998	161,500	25,000	---	---	15,530 (1)
Exec. Vice President	1997	132,917	---	20,000	---	9,087
James A. Hake	1998	120,000	85,000	---	---	15,887 (1)
Vice President, Acquisitions	1997	120,000	90,000	15,000	---	13,592
	1996	120,000	85,000	---	---	9,962
Kevin T. Kelly	1998	99,014	50,000	---	---	9,376 (1)
Vice President, Chief Financial Officer						

(1) Includes for Mr. Ferrell contributions of $20,059 to the employee's 401(k) and profit sharing plans and compensation of $17,008 resulting from the payment of life insurance premiums. Includes for Mr. Sheldon contributions of $20,104 to the employee's 401(k) and profit sharing plans. Includes for Mr. Chesterman contributions of $14,584 to the employee 401(k) and profit sharing plans and compensation of $946 resulting from the payment of life insurance premiums. Includes for Mr. Hake contributions of $15,161 to the employee's 401(k) and profit sharing plans and compensation of $726 resulting from the payment of life insurance premiums. Includes for Mr. Kelly contributions of $9,376 to the employee's 401(k) and profit sharing plans.

Unit Options

On October 14, 1994, the General Partner adopted the Ferrellgas, Inc. Unit Option Plan (the "Unit Option Plan") pursuant to which key employees are granted options to purchase the MLP's Subordinated Units. The purpose of the Unit Option Plan is to encourage certain employees of the General Partner to develop a proprietary interest in the growth and performance of the Partnership, to generate an increased incentive to contribute to the Partnership's future success and prosperity, thus enhancing the value of the Partnership for the benefit of its Unitholders, and to enhance the ability of the General Partner to attract and retain key individuals who are essential to progress, growth and profitability of the Partnership.

The Unit Options are exercisable beginning after July 31, 1999, assuming the subordination period has lapsed, at prices ranging from $16.80 to $21.67 per unit, which is an estimate of the fair market value of the Subordinated Units at the time of the grant. The options vest immediately or over a one to five year period, and expire on the tenth anniversary of the date of the grant. Upon conversion of the Subordinated Units held by the General Partner and its affiliates, outstanding Subordinated Unit Options will convert to Common Unit Options.

There were no grants of unit options during the 1998 fiscal year to the CEO and named executive officers.

The following table lists information on the CEO and named executive officers' exercised/unexercised unit options for the fiscal year ended July 31, 1998.

AGGREGATED OPTION/SAR EXERCISES IN LAST FY AND FY-END OPTION SAR VALUES

Name	Shares Acquired on Exercise (#)	Value Realized ($)	Number of Securities Underlying Unexercised Options/SARs at FY-End (#) Exercisable/ Unexercisable	Value of Unexercised In-The-Money Options/SARs at FY-End ($) Exercisable/ Unexercisable
James E. Ferrell	-	-	-	-
Danley K. Sheldon	0	0	0/100,000	0/305,800
Patrick J. Chesterman	0	0	0/30,000	0/32,680
James M. Hake	0	0	0/51,000	0/156,975
Kevin T. Kelly	0	0	0/10,000	0/6,850

Employee Stock Ownership Plan

On July 17, 1998, pursuant to the Ferrell Companies, Inc. Employee Stock Ownership Plan, a newly formed employee stock ownership trust purchased all of the outstanding common stock of Ferrell. The purpose of the ESOP is to provide employees of the General Partner an opportunity for ownership in Ferrell and indirectly in the Partnership. Ferrell is expected to make future contributions to the ESOP which will cause a portion of the shares of Ferrell owned by the ESOP to be allocated to employees' accounts over time.

Incentive Compensation Plan

On July 17, 1998, a nonqualified stock option plan was establish by Ferrell to allow upper middle and senior level managers of the General Partner to participate in the equity growth of Ferrell and, indirectly in the equity growth of the Partnership. The shares underlying the stock options are common shares of Ferrell. No options under this plan had been granted as of July 31, 1998.

Profit Sharing Plan

The Ferrell Profit Sharing and 401(k) Investment Plan is a qualified defined contribution plan (the "Profit Sharing Plan"). All full-time employees of Ferrell or any of its direct or indirect wholly owned subsidiaries with at least one year of service are eligible to participate in the Profit Sharing Plan. In regards to the profit sharing portion, the Board of Directors of Ferrell determines the amount of the annual contribution to the Profit Sharing Plan, which is purely discretionary. This decision is based on the operating results of Ferrell for the previous fiscal year and anticipated future cash needs of the General Partner and Ferrell. The contributions are allocated to the Profit Sharing Plan participants based on each participant's wages or salary as compared to the total of all participants' wages and salaries.

Historically, the annual contribution to the Profit Sharing Plan has been 1% to 7% of each participant's annual wage or salary. With the establishment of the ESOP in July 1998, the Company decided to suspended future contributions to the profit sharing plan beginning with fiscal year 1998. The Profit Sharing Plan also has a cash-or-deferred, or 401(k), feature allowing all full-time employees to specify a portion of their pre-tax and/or after-tax compensation to be contributed to the Profit Sharing Plan.

Supplemental Savings Plan

The Ferrell Supplemental Savings Plan was established October 1, 1994 in order to provide certain management or highly compensated employees with supplemental retirement income which is approximately equal in amount to the retirement income that would have been provided to members of the select group

of employees under the terms of the 401(k) feature of the Profit Sharing Plan based on such members' deferral elections thereunder, but which could not be provided under the 401(k) feature of the Profit Sharing Plan due to the application of certain IRS rules and regulations.

Employment Agreements

On July 17, 1998, Mr. James E. Ferrell, as Chairman of the Board of the General Partner, entered into a five year employment agreement with automatic one year renewals. He will receive an annual salary of $120,000 and a bonus based on the annual increase in the equity value of Ferrell. In addition to his compensation, Mr. Ferrell participates in the Company's various employee benefit plans, with the exception of the employee stock ownership plan and the nonqualified stock option plan of Ferrell.

Also on July 17, 1998, Mr. Danley K. Sheldon, Chief Executive Officer of the General Partner, entered into an eight year employment agreement, with automatic one year renewals. He will receive an annual salary of $340,000 and an annual bonus based on the earnings of the Partnership.

Pursuant to the terms of both employment agreements, in the event of either a termination without cause or resignation for cause, Mr. Ferrell and Mr. Sheldon are entitled to a cash amount equal to three times the greater of 125% of their current base salary or the average compensation paid for the prior three fiscal years. If a change of control of Ferrell or the General Partner occurs, Mr. Ferrell and Mr. Sheldon will receive a cash termination benefit equal to three times the greater of 125% of their current base salary or the average three year compensation paid.

Mr. Ferrell's agreement contains a non-compete provision for the period of time equal to the greater of five years or the time in which certain outstanding debt of Ferrell is paid in full. The non-compete provision provides that he shall not directly or indirectly own, manage, control, or engage in any business with any person whose business is substantially similar to the business of the Company.

Mr. Sheldon's agreement also contains a non-compete provision for a period of two years following his termination of employment. The non-compete provision provides that he shall not directly or indirectly own, manage, control, or engage in any business with any person whose business is substantially similar to the business of the Company.

Compensation of Directors

The General Partner does not pay any additional remuneration to its employees for serving as directors. Directors who are not employees of the General Partner receive a fee per meeting of $500, plus reimbursement for out-of-pocket expenses.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The following table sets forth certain information as of July 31, 1998, regarding the beneficial ownership of the Common and Subordinated Units of the MLP by certain beneficial owners, all directors and named executive officers of the General Partner and the Partnership, each of the named executive officers, and all directors and executive officers of the General Partner as a group. The General Partner knows of no other person beneficially owning more than 5% of the Common Units.

Title of Class	Name and Address of Beneficial Owner	Units Beneficially Owned	(1)	Percentage of Class
Common Units	ESOT	1,210,162	(2)	8.2
	Goldman, Sachs & Co.	1,635,717	(3)	11.1
	The Goldman Sachs Group	1,635,717	(3)	11.1
	Danley K. Sheldon	1,000		*
	Patrick J. Chesterman	200		*
	James M. Hake	400		*
	Kenneth G. Atchley	2,000		*
	Elizabeth T. Solberg	200		*
	A. Andrew Levison	15,000		*
	All Directors and Officers as a Group	18,800		*
Subordinated Units	ESOT	16,593,721	(2)	100.0

* Less than 1%

(1) Beneficial ownership for the purposes of the foregoing table is defined by Rule 13d-3 under the Securities Exchange Act of 1934. Under that rule, a person is generally considered to be the beneficial owner of a security if he has or shares the power to vote or direct the voting thereof ("Voting Power") or to dispose or direct the disposition thereof ("Investment Power") or has the right to acquire either of those powers within sixty (60) days.

(2) The address for LaSalle National Bank, the trustee for the Ferrell Companies, Inc. Employee Stock Ownership Trust ("ESOT") is 125 S. LaSalle Street, 17th Floor, Chicago, Illinois, 60603

Includes 1,210,162 Common Units and 16,593,721 Subordinated Units owned by Ferrell which is 100% owned by the ESOT.

(3) The address for both Goldman Sachs Group, L.P. and Goldman, Sachs & Co. is 85 Broad Street, New York, New York, 10004.

Goldman, Sachs & Co., a broker/dealer, and its parent Goldman Sachs Group, L.P. are deemed to have shared voting power and shared dispositive power over 1,635,717 Common Units owned by their customers.

Compliance With Section 16(a) of the Securities and Exchange Act

Section 16(a) of the Securities and Exchange Act of 1934 requires the General Partner's officers and directors, and persons who own more than 10% of a registered class of the Partnership's equity securities, to file reports of beneficial ownership and changes in beneficial ownership with the Securities and Exchange Commission ("SEC"). Officers, directors and greater than 10% unitholders are required by SEC regulation to furnish the General Partner with copies of all Section 16(a) forms.

Based solely on its review of the copies of such forms received by the General Partner, or written representations from certain reporting persons that no Form 5's were required for those persons, the General Partner believes that during fiscal year 1998 all filing requirements applicable to its officers, directors, and greater than 10% beneficial owners were met in a timely manner.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

Set forth below is a discussion of certain relationships and related transactions among affiliates of the Partnership.

The Partnership has no employees and is managed and controlled by the General Partner. Pursuant to the Partnership Agreement, the General Partner is entitled to reimbursement for all direct and indirect expenses incurred or payments it makes on behalf of the Partnership, and all other necessary or appropriate expenses allocable to the Partnership or otherwise reasonably incurred by the General Partner in connection with operating the Partnership's business. These costs, which totaled $129,808,000 and $128,033,000 for the years ended July 31, 1998 and 1997, respectively, include compensation and benefits paid to officers and employees of the General Partner, and general and administrative costs. In addition, the conveyance of the net assets of the Company to the Partnership included the assumption of specific liabilities related to employee benefit and incentive plans for the benefit of the officers and employees of the General Partner. The conveyance of the net assets of the Company to the Partnership is described in Note A of the Ferrellgas Partners, L.P. notes to the consolidated financial statements.

Ferrell, the parent of the General Partner, and its other wholly-owned subsidiaries engage in various investment activities including, but not limited to, commodity investments and the trading thereof. The Partnership from time to time acts as an agent on behalf of Ferrell to purchase and market natural gas liquids and enter into certain trading activities. The Partnership charges all direct and indirect expenses incurred in performing this agent role to Ferrell. During the years ended July 31, 1998 and 1997, the Partnership, as Ferrell's agent, performed the following services: a) purchased 1,089,929 barrels of propane during 1997 b) marketed and sold 469,820 and 619,929 barrels, in 1998 and 1997, respectively, and c) entered into certain hedging arrangements during 1997. The Partnership charged Ferrell $66,467 and $73,078, in 1998 and 1997, respectively, for its direct and indirect expenses. Of the 469,820 barrels of propane sold in fiscal year 1998, all of these barrels were sold to and used by the Partnership at the applicable market prices (an aggregate of $7,405,200). Of the 619,929 barrels of propane sold in fiscal year 1997, 534,929 barrels were sold to and used by the Partnership at the applicable market prices (an aggregate of $13,128,765). In addition, during fiscal 1998, the Partnership sold to Ferrell certain physical and derivative crude oil commodity contracts totaling 4,120,000 aggregate barrels at a price of $2,548,927. The Partnership believes these transactions were under terms that were no less favorable to the Partnership than those arranged with other parties.

A. Andrew Levison, a director of the General Partner is a Managing Director of Donaldson, Lufkin & Jenrette Securities Corporation ("DLJ"). DLJ acted as an underwriter with regard to the private placement of $160,000,000 senior subordinated notes issued in April 1996 and was paid fees of $4,000,000 in fiscal 1996.

See Note L to the financial statements in Item 14 for discussion of transactions involving acquisitions related to the General Partner and the Partnership.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.

(a) 1. Financial Statements.
See "Index to Financial Statements" set forth on page F-1.

2. Financial Statement Schedules.
See "Index to Financial Statement Schedules" set forth on page S-1.

3. Exhibits.
See "Index to Exhibits" set forth on page E-1.

(b) Reports on Form 8-K.

The Partnership filed one Form 8-K during the quarter ended July 31, 1998.

Form 8-K dated July 31, 1998, reporting that on July 17, 1998, the Ferrell Companies, Inc. Employee Stock Ownership Trust acquired all of the outstanding capital stock of Ferrell Companies, Inc., a Kansas corporation, from trusts affiliated with Mr. James E. Ferrell. The ESOT purchased the stock of Ferrell using funds provided primarily by a private placement of $160,000,000 of debt and $40,000,000 of seller financed notes. By acquiring such stock, the ESOT became the beneficial owner through Ferrell of all of the outstanding capital stock of Ferrellgas, Inc., a Delaware corporation that is the general partner of both Ferrellgas Partners, L.P. and the Partnership's operating subsidiary, Ferrellgas, L.P. The ESOT's indirect control of the General Partner gives the ESOT control of the Partnership and the Operating Partnership.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

FERRELLGAS PARTNERS, L.P.

By Ferrellgas, Inc. (General Partner)

By /s/ Danley K. Sheldon
Danley K. Sheldon
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons in the capacities and on the dates indicated:

Signature	Title	Date
/s/ Danley K. Sheldon Danley K. Sheldon	President, Chief Executive Officer and Director (Principal Executive Officer)	10/29/98
/s/ James E. Ferrell James E. Ferrell	Chairman of the Board	10/29/98
/s/ A. Andrew Levison A. Andrew Levison	Director	10/29/98
/s/ Elizabeth T. Solberg Elizabeth T. Solberg	Director	10/29/98
/s/ Kevin T. Kelly Kevin T. Kelly	Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	10/29/98

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

FERRELLGAS PARTNERS FINANCE CORP.

By /s/ Danley K. Sheldon
Danley K. Sheldon
Chairman and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons in the capacities and on the dates indicated:

Signature	Title	Date
/s/ Danley K. Sheldon Danley K. Sheldon	Chairman of the Board, Chief Executive Officer and Sole Director (Principal Executive Officer)	10/29/98
/s/ Kevin T. Kelly Kevin T. Kelly	Chief Financial Officer (Principal Financial and Accounting Officer)	10/29/98

INDEX TO EXHIBITS

The exhibits listed on the accompanying Exhibit Index are filed as part of this report. Exhibits required by Item 601 of Regulation S-K which are not listed are not applicable.

	Exhibit Number	Description
(1)	2.1	Agreement for Purchase and Sale of Stock dated March 23, 1996, between Superior Propane, Inc. and Ferrellgas, Inc.
(3)	3.1	Agreement of Limited Partnership of Ferrellgas Partners, L.P.
(4)	3.2	Articles of Incorporation for Ferrellgas Partners Finance Corp.
(5)	3.3	Bylaws of Ferrellgas Partners Finance Corp.
(6)	4.1	Indenture dated as of July 5, 1994, among Ferrellgas, L.P., Ferrellgas Finance Corp. and Norwest Bank Minnesota, National Association, as Trustee, relating to $200,000,000 10% Series A Fixed Rate Senior Notes due 2001 and $50,000,000 Series B Floating Rate Senior Notes due 2001.
(7)	4.2	Indenture dated as of April 26, 1996, among Ferrellgas Partners, L.P., Ferrellgas Partners Finance Corp., Ferrellgas, L.P. as guarantor, and Amercan Bank National Association, as Trustee, relating to $160,000,000 9 3/8% Senior Secured Notes due 2006.
(8)	4.3	Registration Rights Agreement dated as of April, 26, 1996, among Ferrellgas Partners, L.P., Ferrellgas Partners Finance Corp., Ferrellgas, L.P., Donaldson, Lufkin & Jenrette Securities Corporation and Goldman, Sachs & Co.
	4.4	Ferrellgas, L.P., Note Purchase Agreement Dated as of July 1, 1998 Re: $109,000,000 6.99% Senior Notes, Series A, due August 1, 2005 $37,000,000 7.08% Senior Notes, Series B, due August 1, 2006 $52,000,000 7.12% Senior Notes, Series C, due August 1, 2008 $82,000,000 7.24% Senior Notes, Series D, due August 1, 2010 $70,000,000 7.42% Senior Notes, Series E, due August 1, 2013
(9)	10.1	Agreement dated as of April 1, 1994, between BP Exploration & Oil, Inc. and Ferrellgas, L.P. dba Ferrell North America
(10)#	10.2	Ferrell Companies, Inc. Supplemental Savings Plan.
(11)#	10.3	Ferrellgas, Inc. Unit Option Plan.
(12)	10.4	Contribution,Conveyance and Assumption Agreement dated as of November 1, 1994, among the Partnership, the Operating Partnership and Ferrellgas, Inc.
(13)	10.5	First Amendment to Contribution, Conveyance and Assumption Agreement between Ferrellgas, the Partnership and the Operating Partnership.
(14)	10.6	Second Amendment to Contribution, Conveyance and Assumption Agreement between Ferrellgas, the Partnership and the Operating Partnership.

(15)	10.7	Purchase Agreement dated as of April 23, 1996, between Ferrellgas Partners, L.P., Ferrellgas Partners Finance Corp., Ferrellgas, Inc., Ferrellgas, L.P., Donaldson, Lufkin & Jenrette Securities Corporation and Goldman, Sachs & Co.
(16)	10.8	Amended and Restated Agreement of Limited Partnership of Ferrellgas, L.P. dated as of April 23, 1996.
(17)	10.9	Pledge and Security Agreement dated as of April 26, 1996, among Ferrellgas Partners, L.P., Ferrellgas, Inc., and American Bank National Association, as collateral agent.
(18)	10.10	First Amended and Restated Credit Agreement dated as of July 31, 1996, among Ferrellgas, L.P., Stratton Insurance Company, Inc., Ferrellgas, Inc., Bank of America National Trust and Savings Association, as agent, and the other financial institutions party thereto.
	10.11	Second Amended and Restated Credit Agreement dated as of July 2, 1998, among Ferrellgas, L.P., Ferrellgas, Inc., Bank of America National Trust and Savings Association, as administrative agent, and the other financial institutions party thereto.
	10.12#	Ferrell Companies, Inc. 1998 Incentive Compensation Plan
	10.13#	Employment agreement between James E. Ferrell and Ferrellgas, Inc. dated July 31, 1998
	10.14#	Employment agreement between Danley K. Sheldon and Ferrellgas, Inc. dated July 31, 1998
	21.1	List of subsidiaries.
	23.1	Consent of Deloitte & Touche, LLP Certified Public Accountants.
	27.1	Financial Data Schedule - Ferrellgas Partners, L.P. (filed in electronic format only).
	27.2	Financial Data Schedule - Ferrellgas Partners Finance Corp. (filed in electronic format only)

Management contracts or compensatory plans.

(1) Incorporated by reference to the same numbered Exhibit to Registrant's Current Report on Form 8-K filed on May 6, 1996.

(3) Incorporated by reference to the same numbered Exhibit to the Registrant's Current Report on Form 8-K filed August 15, 1994.

(4) Incorporated by reference to Exhibit same numbered Exhibit to Registrant's Quarterly Report on Form 10-Q filed on June 13, 1997.

(5) Incorporated by reference to Exhibit same numbered Exhibit to Registrant's Quarterly Report on Form 10-Q filed on June 13, 1997.

(6) Incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed August 15, 1994.

(7) Incorporated by reference to Exhibit 4.1 to Registrant's Current Report on Form 8-K filed on May 6, 1996.

(8) Incorporated by reference to Exhibit 4.2 to Registrant's Current Report on Form 8-K filed on May 6, 1996.

(9) Incorporated by reference to the Exhibit 10.4 to Registrant's Annual Report on Form 10-K filed on October 20, 1994.

(10) Incorporated by reference to the Exhibit 10.7 to Registrant's Annual Report on Form 10-K filed on October 17, 1995.

(11) Incorporated by reference to the Exhibit 10.8 to Registrant's Registration Statement on Form S-1 File No. 33-55185 filed with the Commission on November 14, 1994

(12) Incorporated by reference to the Exhibit 10.9 to Registrant's Registration Statement on Form S-1 File No. 33-55185 filed with the Commission on November 14, 1994

(13) Incorporated by reference to Exhibit 10.8 to Registrant's Annual Report on Form 10-K filed on October 20, 1994.

(14) Incorporated by reference to the Exhibit 10.11 to Registrant's Annual Report onForm 10-K filed on October 17, 1995.

(15) Incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K filed on May 6, 1996.

(16) Incorporated by reference to Exhibit 10.1 to Registrant's Quarterly Report on Form 10-Q filed on June 12, 1996.

(17) Incorporated by reference to Exhibit 10.2 to Registrant's Current Report on Form 8-K filed on May 6, 1996.

(18) Incorporated by reference to the Exhibit 10.11 to Registrant's Annual Report on Form 10-K filed on October 18, 1996.

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INDEPENDENT AUDITORS' REPORT

To the Partners of
Ferrellgas Partners, L.P. and Subsidiaries
Liberty, Missouri

We have audited the accompanying consolidated balance sheets of Ferrellgas Partners, L.P. and subsidiaries as of July 31, 1998 and 1997, and the related consolidated statements of earnings, partners' capital and cash flows for the years ended July 31, 1998, 1997 and 1996. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Ferrellgas Partners, L.P. and subsidiaries as of July 31, 1998 and 1997, and the results of their operations and their cash flows for the years ended July 31, 1998, 1997 and 1996, in conformity with generally accepted accounting principles.

DELOITTE & TOUCHE LLP
Kansas City, Missouri
September 24, 1998

FERRELLGAS PARTNERS, L.P. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(in thousands, except unit data)

ASSETS	July 31, 1998	July 31, 1997
Current Assets:		
Cash and cash equivalents	$ 16,961	$ 14,788
Accounts and notes receivable (net of allowance for doubtful accounts of $1,381 and $1,234 in 1998 and 1997, respectively)	50,097	61,835
Inventories	34,727	43,112
Prepaid expenses and other current assets	8,706	8,906
Total Current Assets	110,491	128,641
Property, plant and equipment, net	395,855	405,736
Intangible assets, net	105,655	112,058
Other assets, net	9,222	10,641
Total Assets	$621,223	$657,076
LIABILITIES AND PARTNERS' CAPITAL		
Current Liabilities:		
Accounts payable	$ 48,017	$ 39,322
Other current liabilities	41,767	49,422
Short-term borrowings	21,150	21,786
Total Current Liabilities	110,934	110,530
Long-term debt	507,222	487,334
Other liabilities	12,640	12,354
Contingencies and commitments		
Minority interest	1,510	2,075
Partners' Capital:		
Common unitholders (14,699,678 and 14,612,580 units outstanding in 1998 and 1997, respectively)	27,985	52,863
Subordinated unitholders (16,593,721 units outstanding in 1998 and 1997, respectively)	19,908	50,337
General partner	(58,976)	(58,417)
Total Partners' Capital	(11,083)	44,783
Total Liabilities and Partners' Capital	$621,223	$657,076

See notes to consolidated financial statements

FERRELLGAS PARTNERS, L.P. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EARNINGS
(in thousands, except per unit data)

	For the year ended July 31,		
	1998	1997	1996
Revenues:			
Gas liquids and related product sales	$622,423	$759,941	$612,593
Other	44,930	44,357	41,047
Total revenues	667,353	804,298	653,640
Cost of product sold (exclusive of depreciation, shown separately below)	342,600	470,128	356,314
Gross profit	324,753	334,170	297,326
Operating expense	199,010	198,298	179,462
Depreciation and amortization expense	45,009	43,789	37,024
Employee stock ownership plan compensation charge	350	-	-
General and administrative expense	17,497	15,831	13,221
Vehicle and tank lease expense	10,127	7,433	5,113
Operating income	52,760	68,819	62,506
Interest expense	(49,129)	(45,769)	(37,983)
Interest income	1,695	2,002	1,666
Loss on disposal of assets	(174)	(1,439)	(1,586)
Earnings before income taxes, minority interest and extraordinary loss	5,152	23,613	24,603
Minority interest	209	395	291
Earnings before extraordinary loss	4,943	23,218	24,312
Extraordinary loss on early extinguishment of debt, net of minority interest of $10	-	-	965
Net earnings	4,943	23,218	23,347
General partner's interest in net earnings	49	232	233
Limited partners' interest in net earnings	$ 4,894	$ 22,986	$ 23,114
Earnings per limited partner unit:			
Earnings before extraordinary loss	$ 0.16	$ 0.74	$ 0.77
Extraordinary loss			0.03
Net earnings	$ 0.16	$ 0.74	$ 0.74
Earnings per limited partner unit-assuming dilution:			
Earnings before extraordinary loss	$ 0.16	$ 0.73	$ 0.77
Extraordinary loss			0.03
Net earnings	$ 0.16	$ 0.73	$ 0.74

See notes to consolidated financial statements

FERRELLGAS PARTNERS, L.P. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF PARTNERS' CAPITAL
(in thousands)

	Number of units					
	Common	Subordinated	Common	Subordinated	General partner	Total partners' capital
August 1, 1995	14,398.9	16,593.7	$84,489	$91,824	$ (57,676)	$118,637
Assets contributed in connection with acquisitions	-	-	284	325	6	615
Common units issued in connection with acquisitions	213.7	-	4,825	-	48	4,873
Quarterly distributions	-	-	(29,047)	(33,188)	(628)	(62,863)
Net earnings	-	-	10,773	12,341	233	23,347
July 31, 1996	14,612.6	16,593.7	71,324	71,302	(58,017)	84,609
Quarterly distributions	-	-	(29,224)	(33,188)	(632)	(63,044)
Net earnings	-	-	10,763	12,223	232	23,218
July 31, 1997	14,612.6	16,593.7	52,863	50,337	(58,417)	44,783
Common units issued in connection with acquisitions	87.1	-	2,000	-	20	2,020
Contribution from general partner in connnection with ESOP compensation charge	-	-	23	320	4	347
Quarterly distributions	-	-	(29,356)	(33,188)	(632)	(63,176)
Net earnings	-	-	2,455	2,439	49	4,943
July 31, 1998	14,699.7	16,593.7	$27,985	$19,908	$ (58,976)	$ (11,083)

See notes to consolidated financial statements.

FERRELLGAS PARTNERS, L.P. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	For the year ended July 31,		
	1998	1997	1996
Cash Flows From Operating Activities:			
Net earnings	$4,943	$23,218	$23,347
Reconciliation of net earnings to net cash from operating activities:			
Depreciation and amortization	45,009	43,789	37,024
Employee stock ownership plan compensation charge	350		
Minority interest	209	395	291
Extraordinary loss	-	-	965
Other	5,236	6,056	4,478
Changes in operating assets and liabilities net of effects from business acquisitions:			
Accounts and notes receivable	9,313	6,685	(3,988)
Inventories	8,052	(906)	7,612
Prepaid expenses and other current assets	200	(3,221)	765
Accounts payable	8,695	(9,078)	(10,576)
Accrued interest expense	(157)	(1,171)	1,270
Other current liabilities	(7,799)	9,368	3,649
Other liabilities	286	(48)	259
Net cash provided by operating activities	74,337	75,087	65,096
Cash Flows From Investing Activities:			
Business acquisitions	(9,839)	(36,114)	(8,116)
Capital expenditures	(20,629)	(16,192)	(13,011)
Cash from acquired company	-	-	9,620
Other	4,539	3,068	(1,587)
Net cash used in investing activities	(25,929)	(49,238)	(13,094)
Cash Flows From Financing Activities:			
Distributions	(63,176)	(63,044)	(62,863)
Additions to long-term debt	21,094	45,463	222,268
Reductions of long-term debt	(2,759)	(2,640)	(234,082)
Net additions (reductions) to short-term borrowings	(636)	(3,734)	5,520
Minority interest activity	(798)	(818)	1,002
Other	40	(58)	46
Net cash used in financing activities	(46,235)	(24,831)	(68,109)
Increase (decrease) in cash and cash equivalents	2,173	1,018	(16,107)
Cash and cash equivalents - beginning of period	14,788	13,770	29,877
Cash and cash equivalents - end of period	$16,961	$14,788	$13,770
Cash paid for interest	$46,546	$44,516	$34,994

See notes to consolidated financial statements

A. Partnership Organization and Formation

Ferrellgas Partners, L.P. (the "MLP") was formed April 19, 1994, and is a publicly traded limited partnership, owning a 99% limited partner interest in Ferrellgas, L.P. (the "Operating Partnership" or "OLP"). The MLP and the OLP are both Delaware limited partnerships, and are collectively referred to as the Partnership. Ferrellgas Partners, L.P. was formed to acquire and hold a limited partner interest in the Operating Partnership. The Operating Partnership was formed to acquire, own and operate the propane business and assets of Ferrellgas, Inc. (the "Company" or "General Partner"), a wholly-owned subsidiary of Ferrell Companies, Inc. ("Ferrell"). Ferrell has a 56% limited partnership interest in Ferrellgas Partners, L.P. The Company has retained a 1% general partner interest in Ferrellgas Partners, L.P. and also holds a 1.0101% general partner interest in the Operating Partnership, representing a 2% general partner interest in the Partnership on a combined basis. As General Partner of the Partnership, the Company performs all management functions required for the Partnership.

On July 17, 1998, 100% of the outstanding common stock of Ferrell was purchased primarily from Mr. James E. Ferrell and his family by a newly established leveraged employee stock ownership trust established pursuant to the Ferrell Companies, Inc. Employee Stock Ownership Plan ("ESOP"). The purpose of the ESOP is to provide employees of the Company an opportunity for ownership in Ferrell and indirectly in the Partnership. As contributions are made by Ferrell to the ESOP in the future, shares of Ferrell will be allocated to employees' ESOP accounts.

B. Summary of Significant Accounting Policies

(1) Nature of operations: The Partnership is engaged primarily in the sale, distribution, marketing and trading of propane and other natural gas liquids throughout the United States. The retail market is seasonal because propane is used primarily for heating in residential and commercial buildings. The Partnership serves more than 800,000 residential, industrial/commercial and agricultural customers.

(2) Accounting estimates: The preparation of financial statements in conformity with generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from these estimates. Significant estimates impacting the financial statements include reserves that have been established for product liability and other claims.

(3) Principles of consolidation: The accompanying consolidated financial statements present the consolidated financial position, results of operations and cash flows of the Partnership and its wholly-owned subsidiary, Ferrellgas Partners Finance Corp. The Company's 1.0101% General Partner interest in Ferrellgas, L.P. is accounted for as a minority interest. All material intercompany profits, transactions and balances have been eliminated.

(4) Cash and cash equivalents: For purposes of the Consolidated Statements of Cash Flows, the Partnership considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

(5) Inventories: Inventories are stated at the lower of cost or market using average cost and actual cost methods.

(6) Property, plant and equipment and intangible assets: Property, plant and equipment is stated at cost less accumulated depreciation. Expenditures for maintenance and routine repairs are expensed as incurred. Depreciation is calculated using the straight-line method based on the estimated useful lives of the assets ranging from two to thirty years. Intangible assets, consisting primarily of customer location values and goodwill, are stated at cost, net of amortization calculated using the straight-line method over periods ranging from 5 to 40 years. Accumulated amortization of intangible assets totaled $123,531,000 and $109,211,000 as of July 31, 1998 and 1997, respectively. The Partnership, using its best estimates based on reasonable and supportable assumptions and projections, reviews for impairment of long-lived assets and certain identifiable intangibles to be held and used whenever events or changes in circumstances indicate that the carrying amount of its assets might not be recoverable and has concluded no financial statement adjustment is required.

(7) Accounting for derivative commodity contracts: The Partnership enters into commodity forward and futures purchase/sale agreements and commodity options involving propane and related products which are used both for trading and overall risk management purposes. To the extent such contracts are entered into at fixed prices and thereby subject the Partnership to market risk, the contracts are accounted for using the fair value method. Under the fair value method, derivatives are carried on the balance sheet at fair value with changes in that value recognized in earnings. The Partnership classifies all earnings from derivative commodity contracts as other revenue on the statement of earnings.

(8) Revenue Recognition: Sales are generally recognized by the Partnership when product is delivered or shipped to its customers.

(9) Income taxes: The Partnership is a limited partnership. As a result, the Partnership's earnings or loss for Federal income tax purposes is included in the tax returns of the individual partners. Accordingly, no recognition has been given to income taxes in the accompanying financial statements of the Partnership. Net earnings for financial statement purposes may differ significantly from taxable income reportable to unitholders as a result of differences between the tax basis and financial reporting basis of assets and liabilities and the taxable income allocation requirements under the Partnership Agreement.

(10) Net earnings per limited partner unit: Net earnings (loss) per limited partner unit is computed by dividing net earnings, after deducting the General Partner's 1% interest, by the weighted average number of outstanding Common Units, Subordinated Units and the dilutive effect (if any) of Subordinated Unit options in accordance with Statement of Financial Accounting Standard ("SFAS") No. 128, "Earnings Per Share". The only effect of the application of SFAS No. 128 on the earnings per share was a decrease of $0.01 per unit in fiscal year 1997 to net earnings per limited partner unit. This decrease was due to including the effect of assuming the conversion of 143,000 Unit Options in the denominator of the dilutive per-unit computation.

(11) Unit-based compensation: The Partnership accounts for its Unit Option Plan under the provisions of Accounting Principles Board ("APB") No. 25, "Accounting for Stock Issued to Employees," and makes the pro forma information disclosures required under the provisions of SFAS No. 123, "Accounting for Stock-Based Compensation."

(12) Adoption of new accounting standards: The Financial Standards Accounting Board recently issued the following new accounting standards: SFAS No. 130 "Reporting Comprehensive Income", SFAS No. 131 "Disclosures About Segments of an Enterprise and Related Information", SFAS No. 132 "Employers' Disclosures about Pensions and Other Postretirement Benefits" and SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities". SFAS Nos. 130, 131 and 132 are required to be adopted by the Partnership for the fiscal year ended July 31, 1999. The adoption of SFAS Nos. 130 and 132 are not expected to have a material effect on the Partnership's financial position or results of operations. The Partnership is currently assessing the impact of SFAS No. 131 on disclosure requirements for the next year. SFAS No. 133 is required to be adopted by the Partnership for the fiscal year ended July 31, 2000. The Partnership is currently assessing its impact on the Partnership's financial position and results of operations.

C. Quarterly Distributions of Available Cash

The Partnership makes quarterly cash distributions of all of its "Available Cash", generally defined as consolidated cash receipts less consolidated cash disbursements and net changes in reserves established by the General Partner for future requirements. These reserves are retained to provide for the proper conduct of the Partnership business, or to provide funds for distributions with respect to any one or more of the next four fiscal quarters.

Distributions by the Partnership in an amount equal to 100% of its Available Cash will generally be made 98% to the Common and Subordinated Unitholders (the "Unitholders") and 2% to the General Partner, subject to the payment of incentive distributions to the holders of Incentive Distribution Rights to the extent that certain target levels of cash distributions are achieved. To the extent there is sufficient Available Cash, the holders of Common Units have the right to receive the "Minimum Quarterly Distribution" ($0.50 per Unit), plus any "arrearages", prior to any distribution of Available Cash to the holders of Subordinated Units. Common Units will not accrue arrearages for any quarter after the "Subordination Period" (as defined below) and Subordinated Units will not accrue any arrearages with respect to distributions for any quarter.

In general, the Subordination Period will continue indefinitely until the first day of any quarter beginning on or after August 1, 1999, in which (i) distributions of Available Cash constituting Cash from Operations (as defined in the Partnership Agreement) equal or exceed the Minimum Quarterly Distribution on the Common Units and the Subordinated Units for each of the three consecutive four quarter periods immediately preceding such date and (ii) the Partnership has invested at least $50 million in acquisitions and capital additions or improvements to increase the operating capacity of the Partnership. Upon expiration of the Subordination Period, all remaining Subordinated Units will convert to Common Units.

The Partnership makes distributions of all of its Available Cash within 45 days after the end of each fiscal quarter ending January, April, July and October to holders of record on the applicable record date.

D. Supplemental Balance Sheet Information

Inventories consist of:

(in thousands)	1998	1997
Liquefied propane gas and related products	$26,316	$35,351
Appliances, parts and supplies	8,411	7,761
	$34,727	$43,112

In addition to inventories on hand, the Partnership enters into contracts to buy product for supply purposes. Nearly all such contracts have terms of less than one year and most call for payment based on market prices at the date of delivery. All fixed price contracts have terms of less than one year. As of July 31, 1998, in addition to the inventory on hand, the Partnership had committed to take delivery of approximately 20,812,000 gallons at a fixed price for its estimated future retail propane sales.

Property, plant and equipment consist of:

(in thousands)	1998	1997
Land and improvements	$30,368	$29,849
Buildings and improvements	40,557	39,907
Vehicles	50,810	54,879
Furniture and fixtures	22,397	23,985
Bulk equipment and district facilities	66,150	59,876
Tanks and customer equipment	404,532	402,608
Other	5,969	3,870
	620,783	614,974
Less: accumulated depreciation	224,928	209,238
	$395,855	$405,736

Depreciation expense totaled $30,034,000, $29,960,000, and $25,101,000, for the years ended July 31, 1998, 1997, and 1996, respectively.

Other current liabilities consist of:

(in thousands)	1998	1997
Accrued insurance	$4,563	$7,327
Accrued interest	12,914	13,071
Accrued payroll	8,635	8,161
Other	15,655	20,863
	$41,767	$49,422

E. Long-Term Debt

Long-term debt consists of:

(in thousands)	1998	1997
Senior Notes		
Fixed rate, 10%, due 2001 (1)	$200,000	$200,000
Fixed rate, 9.375%, due 2006 (2)	160,000	160,000
Credit Agreement		
Term loan, 8.5% and 6.25%, due 2001 (3)	50,000	50,000
Revolving credit loans, 8.5% and 6.25%, due 1999 (3)	85,850	64,614
Notes payable, 6.7% and 6.4% weighted average interest rates, respectively, due 1998 to 2007 (4)	13,558	14,567
	509,408	489,181
Less: current portion	2,186	1,847
	$507,222	$487,334

(1) The OLP fixed rate Senior Notes, issued in June 1994, are general unsecured obligations of the OLP and rank on an equal basis in right of payment with all senior indebtedness of the OLP and senior to all subordinated indebtedness of the OLP. The Senior Notes were redeemed at the option of the OLP on August 5, 1998 with a 5% premium payable concurrent with the issuance of $350,000,000 of new unsecured OLP Senior Notes ("New Senior Notes").

(2) The MLP fixed rate Senior Secured Notes, issued in April 1996, will be redeemable at the option of the MLP, in whole or in part, at any time on or after June 15, 2001. The notes are secured by the MLP's partnership interest in the OLP. The Senior Secured Notes bear interest from the date of issuance, payable semi-annually in arrears on June 15 and December 15 of each year. Due to a change of control in the ownership of the General Partner on July 17, 1998 as a result of the ESOP transaction described in Note A, the MLP was required, pursuant to the MLP fixed rate Senior Secured Note Indenture, to offer to purchase the outstanding MLP fixed rate Senior Secured Notes at a price of 101% of the principal amount thereof plus accrued and unpaid interest. The offer to purchase was made on July 27, 1998 and expired August 26, 1998. Upon the expiration of the offer, the MLP accepted for purchase $65,000 of the notes which were all of the notes tendered pursuant to the offer. The MLP assigned its right to purchase the notes to a third party.

(3) At July 31, 1998, the unsecured $255,000,000 Credit Facility (the "Credit Facility") consisted of a $50,000,000 term loan facility, a $185,000,000 revolving credit facility for general corporate, working capital and acquisition purposes (of which $50,000,000 is available to support letters of credit) and a $20,000,000 revolving working capital facility, which is subject to an annual reduction in outstanding balances to zero for thirty consecutive days. On August 4, 1998, outstanding borrowings under the OLP Credit Facility were refinanced with the issuance of New Senior Notes and the refinancing with existing lenders of the existing OLP Credit Facility with a new $145,000,000 revolving credit

facility ("New Credit Facility"). All borrowings under the Credit Facility bear interest at either LIBOR plus an applicable margin varying from 0.425% to 1.375% or the bank's base rate, depending on the nature of the borrowing. The bank's base rate at July 31, 1998 and 1997 was 8.5% on both dates. To offset the variable rate characteristic of the Credit Facility and the New Credit Facility, the OLP entered into interest rate collar agreements, expiring between October 1998 and December 2001, with two major banks limiting the floating rate portion of LIBOR-based loan interest rates on a notional amount of $100,000,000 to between 4.9% and 6.5%.

(4) The notes payable are secured by approximately $3,729,000 and $4,542,000 of property and equipment at July 31, 1998 and 1997, respectively.

On July 1, 1998, the OLP entered into an agreement for the issuance of $350 million of privately placed fixed rate senior notes ("New Senior Notes") funded August 4, 1998 in five series with maturities ranging from year 2005 through 2013. The proceeds of the offering were used to redeem the OLP fixed rate Senior Notes issued in June 1994, and to repay outstanding indebtedness under the Credit Facility.

The OLP also entered into an agreement on July 2, 1998 with the lenders under the existing Credit Facility for a New Credit Facility effective August 4, 1998. The New Credit Facility provides for (i) a $40,000,000 unsecured working capital facility subject to an annual reduction in borrowings to zero for thirty consecutive days, (ii) a $50,000,000 unsecured working capital and general corporate facility, including a letter of credit facility, and (iii) a $55,000,000 unsecured general corporate and acquisition facility. The New Credit Facility matures July 2, 2001.

At July 31, 1998 and 1997, $21,150,000 and $21,786,000, respectively, of short-term borrowings were outstanding under the revolving line of credit and letters of credit outstanding, used primarily to secure obligations under certain insurance arrangements, totaled $29,056,000 and $24,102,000, respectively.

The Senior Secured Notes, the Senior Notes and the Credit Facility Agreement contain various restrictive covenants applicable to the MLP and OLP and its subsidiaries, the most restrictive relating to additional indebtedness, sale and disposition of assets, and transactions with affiliates. In addition, the Partnership is prohibited from making cash distributions of the Minimum Quarterly Distribution if a default or event of default exists or would exist upon making such distribution, or if the Partnership fails to meet certain coverage tests. The Partnership is in compliance with all requirements, tests, limitations and covenants related to the Senior Secured Note Indenture, the Senior Note Indenture and Credit Facility agreement. The New Senior Notes and the New Credit Facility agreements have similar restrictive covenants to the Senior Note Indenture and Credit Facility agreement that were replaced.

Taking into account the effects of the New Senior Notes and New Credit Facility, the annual principal payments on long-term debt for each of the next five fiscal years are $2,186,000 in 1999, $2,269,000 in 2000, $3,145,000 in 2001, $1,037,000 in 2002, and $1,114,000 in 2003.

During fiscal year 1996, the Partnership recognized an extraordinary loss from the write-off of unamortized financing costs of approximately $965,000, net of minority interest of $10,000, resulting from the early extinguishment of $50,000,000 of its floating rate senior notes.

F. Partners' Capital

Partners' capital consists of 14,699,678 Common Units representing a 46% limited partner interest, 16,593,721 Subordinated Units representing a 53% limited partner interest, and a 1% General Partner interest.

The Agreement of Limited Partnership of Ferrellgas Partners, L.P. (the "Partnership Agreement") contains specific provisions for the allocation of net earnings and loss to each of the partners for purposes of maintaining the partner capital accounts.

On August 1, 1999, the Subordination Period will end and the Subordinated Units will convert to Common Units, provided that certain remaining financial tests, which are related to making the Minimum Quarterly Distribution on all Units, are satisfied for each of the three consecutive four quarter periods ending on July 31, 1999. During the Subordination Period, the Partnership may issue up to 7,000,000 Common Units (excluding Common Units issued in connection with conversion of Subordinated Units into Common Units) or an equivalent number of securities ranking on a parity with the Common Units, and an unlimited number of partnership interests junior to the Common Units without a Unitholder vote. The Partnership may also issue additional Common Units during the Subordination Period in connection with acquisitions if certain cash flow criteria are met. After the Subordination Period, the Partnership Agreement authorizes the General Partner to cause the Partnership to issue an unlimited number of additional general and limited partner interests and other equity securities of the Partnership for such consideration and on such terms and conditions as shall be established by the General Partner without the approval of any Unitholders.

The Partnership maintains a shelf registration statement for Common Units representing limited partner interests in the Partnership. The Common Units may be issued from time to time by the Partnership in connection with the Partnership's acquisition of other businesses, properties or securities in business combination transactions.

G. Transactions with Related Parties

The Partnership has no employees and is managed and controlled by the General Partner. Pursuant to the Partnership Agreement, the General Partner is entitled to reimbursement for all direct and indirect expenses incurred or payments it makes on behalf of the Partnership, and all other necessary or appropriate expenses allocable to the Partnership or otherwise reasonably incurred by the General Partner in connection with operating the Partnership's business. These costs, which totaled $129,808,000, $128,033,000 and $109,637,000 for the years ended July 31, 1998, 1997 and 1996, respectively, include compensation and benefits paid to officers and employees of the General Partner, and general and administrative costs.

Prior to the ESOP transaction completed on July 17, 1998, Ferrell, the parent of the General Partner and its other wholly-owned subsidiaries, engaged in various investment activities including, but not limited to, commodity investments and the trading thereof. The Partnership from time to time acted as an agent on behalf of Ferrell to purchase and market natural gas liquids and enter into certain trading activities. The Partnership charged all direct and indirect expenses incurred in performing this agent role to Ferrell. During the years ended July 31, 1998 and 1997, the Partnership, as Ferrell's agent, performed the following services: a) purchased 1,089,929 barrels of propane during 1997 b) marketed and sold 469,820 and 619,929 barrels, in 1998 and 1997, respectively, and c) entered into certain hedging arrangements during 1997. The Partnership charged Ferrell $66,467 and $73,078, in 1998 and 1997, respectively, for its direct and indirect expenses. Of the 469,820 barrels of propane sold in fiscal year 1998, all of these barrels were sold to and used by the Partnership at the applicable market prices (an aggregate of $7,405,200). Of the 619,929

barrels of propane sold in fiscal year 1997, 534,929 barrels were sold to and used by the Partnership at the applicable market prices (an aggregate of $13,128,765). In addition, during fiscal 1998, the Partnership sold to Ferrell certain physical and derivative crude oil commodity contracts totaling 4,120,000 aggregate barrels at a price of $2,548,927. Management believes these transactions were under terms that were no less favorable to the Partnership than those arranged with other parties. Subsequent to the close of the ESOP transaction, Ferrell divested of its wholly owned subsidiaries that were engaged in these commodity and trading activities.

A. Andrew Levison, a director of the General Partner, is a Managing Director of Donaldson, Lufkin & Jenrette Securities Corporation ("DLJ"). DLJ acted as an underwriter with regard to the private placement of $160,000,000 Senior Secured Notes issued in April 1996 and was paid fees of $4,000,000 in 1996.

H. Contingencies and Commitments

The Partnership is threatened with or named as a defendant in various lawsuits which, among other items, claim damages for product liability. It is not possible to determine the ultimate disposition of these matters; however, management is of the opinion that there are no known claims or contingent claims that are likely to have a material adverse effect on the results of operations or financial condition of the Partnership.

Certain property and equipment is leased under noncancellable operating leases which require fixed monthly rental payments and which expire at various dates through 2017. Rental expense under these leases totaled $17,095,000, $13,169,000, and $12,054,000, for the years ended July 31, 1998, 1997 and 1996, respectively. Future minimum lease commitments for such leases are $14,949,000 in 1999, $13,128,000 in 2000, $10,940,000 in 2001, $7,749,000 in 2002, $3,014,000 in 2003 and $533,000 thereafter.

I. Employee Benefits

The Partnership has no employees and is managed and controlled by the General Partner. The Partnership assumes all liabilities, which include specific liabilities related to the following employee benefit plans for the benefit of the officers and employees of the General Partner.

On July 17, 1998, Ferrell formed an Employee Stock Ownership Plan ("ESOP"). Ferrell is expected to make future contributions to the Ferrell Companies, Inc. Employee Stock Ownership Trust ("ESOT") which will cause a portion of the shares of Ferrell owned by the ESOT to be allocated to employees' accounts over time. The allocation of Ferrell shares to employee accounts will cause a non-cash compensation charge to be incurred by Ferrell, equivalent to the fair value of such shares allocated. The Partnership is not obligated to fund or make contributions to the ESOT. Nevertheless, due to the benefit received by the Company's employees from participating in the ESOP, the non-cash compensation charge is also recorded by the Partnership. The non-cash compensation charge recorded by the Partnership for fiscal year 1998 was $350,000.

The General Partner and its parent Ferrell have a defined contribution profit-sharing plan which covers substantially all employees with more than one year of service. Contributions were made to the plan at the discretion of Ferrell's Board of Directors. With the establishment of the ESOP in July 1998, the Company decided to suspend future contributions to the profit sharing plan beginning with fiscal year 1998. The profit sharing plan,

which qualifies under section 401(k) of the Internal Revenue Code, also provides for matching contributions under a cash or deferred arrangement based upon participant salaries and employee contributions to the plan. These matching contributions are not affected by the establishment of the ESOP. Contributions for the years ended July 31, 1997 and 1996, respectively, were $3,000,000 and $1,160,000 under the profit sharing provision and for the years ended July 31, 1998, 1997 and 1996, respectively, were $1,693,000, $1,542,000 and $1,388,000 under the 401(k) provision.

J. Unit Options

The Ferrellgas, Inc. Unit Option Plan (the "Unit Option Plan") currently authorizes the issuance of options (the "Unit Options") covering up to 850,000 of the MLP's Subordinated Units to certain officers and employees of the General Partner. The Unit Options are exercisable beginning after July 31, 1999, assuming the Subordination Period has elapsed at exercise prices ranging from $16.80 to $21.67 per unit, which is an estimate of the fair market value of the Subordinated Units at the time of the grant. The options vest immediately or over a one to five year period, and expire on the tenth anniversary of the date of the grant. Upon conversion of the Subordinated Units held by the General Partner and its affiliates, outstanding Subordinated Unit Options granted will convert to the MLP's Common Unit Options.

The Partnership accounts for stock-based compensation using the intrinsic value method prescribed in APB No. 25 and related Interpretations. Accordingly, no compensation cost has been recognized for the Unit Option Plan. Had compensation cost for the Unit Option Plan been determined based upon the fair value at the grant date for awards under these plans, consistent with the methodology prescribed under SFAS No. 123, the Partnership's net income and earnings per share would have been reduced by approximately $40,000, $29,000, and $7,000, or less than $0.01 per unit for the 1998, 1997 and 1996 fiscal years, respectively. The fair value of the options granted during the 1998, 1997 and 1996 fiscal years was determined using a binomial option valuation model with the following assumptions: a) distribution amount of $0.50 per unit per quarter for 1998, 1997 and 1996, b) average Common Unit price volatility of 16.2%, 16.9% and 16.9% was used as an estimate of Subordinated Unit volatility for 1998, 1997 and 1996, respectively, c) the risk-free interest rate used was 5.7%, 5.9% and 5.9%, for 1998, 1997 and 1996, respectively and d) the expected life of the option is 5 years for 1998, 1997 and 1996.

	Number of Units	Weighted Average Exercise Price	Weighted Average Fair Value
Outstanding, July 31, 1995	701,500	$16.98	
Granted	99,750	19.96	$0.34
Forfeited	(132,825)	17.21	
Outstanding, July 31, 1996	668,425	17.38	
Granted	216,500	20.23	0.52
Forfeited	(157,325)	18.02	
Outstanding, July 31, 1997	727,600	18.09	
Granted	118,500	19.47	0.47
Forfeited	(64,100)	19.16	
Outstanding, July 31, 1998	782,000		
Options exercisable, July 31, 1998	0		

	Options Outstanding at July 31, 1998
Range of option prices at end of year	$16.80-$21.67
Weighted average remaining contractual life	7.8 years

K. Disclosures About Off Balance Sheet Risk and Fair Value of Financial Instruments

The carrying amount of current financial instruments approximates fair value because of the short maturity of the instruments. The estimated fair value of the Partnership's long-term debt was $524,612,000 and $507,134,000 as of July 31, 1998 and 1997, respectively. The fair value is estimated based on quoted market prices.

Interest Rate Collar Agreements. The Partnership has entered into various interest rate collar agreements involving the exchange of fixed and floating interest payment obligations without the exchange of the underlying principal amounts. At July 31, 1998 and 1997, the total notional principal amount of these agreements was $100,000,000 and $125,000,000, respectively, and the fair value of these agreements was immaterial to the financial position or results of operations of the Partnership. The counterparties to these agreements are large financial institutions. The interest rate collar agreements subject the Partnership to financial risk that will vary during the life of these agreements in relation to market interest rates. The mark to market adjustment applicable to the portion of the notional amount in excess of variable rate indebtedness at July 31, 1998 was not material to the financial position or the results of operations of the Partnership.

Option Commodity Contracts. The Partnership is a party to certain option contracts, involving various liquefied petroleum products, for overall risk management purposes in connection with its supply and trading activities. Contracts are executed with private counterparties and to a lesser extent on national mercantile exchanges. Open contract positions are summarized below.

Forward, Futures and Swaps Commodity Contracts. The Partnership is a party to certain forward, futures and swaps contracts for trading purposes. Net gains from trading activities were $7,464,000, $5,476,000, $7,323,000, for the years ended July 31, 1998, 1997, and 1996, respectively. Such contracts permit settlement by delivery of the commodity. Open contract positions are summarized below (assets are defined as purchases or long positions and liabilities are sales or short positions).

As of July 31
(In thousands, except price per gallon data)

	Derivative Commodity Instruments Held for Purposes Other than Trading (Options)				Derivative Commodity Instruments Held for Trading Purposes (Forward, Futures and Swaps)			
	1998		1997		1998		1997	
	Asset	Liab.	Asset	Liab.	Asset	Liab.	Asset	Liab.
Volume (gallons)	3,927	(13,444)	14,406	(13,189)	568,949	(628,573)	165,739	(187,744)
Price ((cent)/gal)	31	49-18	38-35	50-35	35-23	35-24	40-32	43-33
Maturity Dates	8/98-12/98	8/98-2/99	8/97-3/98	9/97-2/98	8/98-12/99	8/98-12/99	8/97-3/98	8/97-7/98
Contract Amounts ($)	8,295	(19,757)	10,193	(13,164)	181,541	(201,497)	64,859	(75,578)
Fair Value ($)	7,901	(19,538)	10,244	(13,071)	186,696	(203,162)	62,925	(73,217)
Unrealized gain (loss) ($)	(394)	219	51	93	5,155	(1,665)	(1,934)	2,361

Risks related to these contracts arise from the possible inability of the counterparties to meet the terms of their contracts and changes in underlying product prices. The Partnership attempts to minimize market risk through the enforcement of its trading policies, which include total inventory limits and loss limits, and attempts to minimize credit risk through application of its credit policies.

L. Business Combinations

During the year ended July 31, 1998, the Partnership made acquisitions of businesses valued at $12,670,000. This amount was funded by $9,839,000 cash payments, $2,000,000 in common units and noncash transactions totaling $831,000 in other consideration. All transactions have been accounted for similar to purchase accounting and, accordingly, the results of operations of all acquisitions have been included in the consolidated financial statements from their dates of contribution. The pro forma effect of these transactions was not material to the results of operations.

During the year ended July 31, 1997, the Company made acquisitions of businesses valued at $40,200,000 (including working capital acquired of $1,420,000). This amount was funded by $36,114,000 cash payments and noncash transactions totaling $4,086,000 in other costs and consideration. All transactions have been accounted for similar to purchase accounting and, accordingly, the results of operations of all acquisitions have been included in the consolidated financial statements from their dates of contribution. The pro forma effect of these transactions was not material to the results of operations.

On April 30, 1996, the General Partner consummated the purchase of all of the stock of Skelgas Propane, Inc. ("Skelgas"), a subsidiary of Superior Propane, Inc. of Toronto, Canada. The cash purchase price, after working capital adjustments, was $89,404,000.

As of May 1, 1996, the General Partner (i) caused Skelgas and each of its subsidiaries to be merged into the General Partner and (ii) transferred all of the assets of Skelgas and its subsidiaries to the Operating Partnership. In exchange, the Operating Partnership assumed substantially all of the liabilities, whether known or unknown, associated with Skelgas and its subsidiaries and their propane business (excluding income tax liabilities). In consideration of the retention by the General Partner of certain income tax liabilities, the Partnership issued 41,203 Common Units to the General Partner. The liabilities assumed by the Operating Partnership included the loan agreement under which the General Partner borrowed funds to pay the purchase price for Skelgas. Immediately following the transfer of assets and related transactions described above, the Operating Partnership repaid the loan with cash and borrowings under the Operating Partnership's existing acquisition bank credit line. The total assets contributed to the Operating Partnership (at the General Partner's cost basis) have been allocated as follows: (i) working capital of $17,168,000, (ii) property, plant and equipment of $60,947,000 and (iii) and the balance to intangible assets. In total, during the year ended July 31, 1996, the Partnership made acquisitions and received contributions of businesses valued at $128,165,000 (including working capital acquired of $19,362,000). This amount was funded by $8,116,000 of cash payments and the following noncash transactions: $108,120,000 debt assumed, $4,825,000 issuance of Partnership units, and $7,104,000 other costs and consideration.

All transactions have been accounted for similar to purchase accounting and, accordingly, the results of operations of all acquisitions have been included in the consolidated financial statements from their dates of contribution. The following pro forma financial information assumes the Skelgas transaction

occurred at the beginning of the period presented and also includes the pro forma effects of the Partnership's issuance of the $160,000,000 of 9 3/8% Senior Notes in April 1996 (as described in Note E):

(in thousands, except per unit amounts)
(unaudited)

	Pro Forma Year Ended July 31, 1996
Total revenues	$732,372
Income before extraordinary loss	21,734
Net earnings	20,769
Net earnings per limited partner unit	$ 0.66

INDEPENDENT AUDITORS' REPORT

Board of Directors
Ferrellgas Partners Finance Corp.
Liberty, Missouri

We have audited the accompanying balance sheets of Ferrellgas Partners Finance Corp. (a wholly-owned subsidiary of Ferrellgas Partners, L.P.), as of July 31, 1998, and 1997, and the related statement of earnings, stockholder's equity and cash flows for the years ended July 31, 1998, 1997 and the period from inception (April 8, 1996) to July 31, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of Ferrellgas Partners Finance Corp. as of July 31, 1998 and 1997, and the results of its operations and its cash flows for the years ended July 31, 1998, 1997 and the period from inception (April 8, 1996) to July 31, 1996 in conformity with generally accepted accounting principles.

DELOITTE & TOUCHE LLP
Kansas City, Missouri
September 24, 1998

FERRELLGAS PARTNERS FINANCE CORP.
(a wholly owned subsidiary of Ferrellgas Partners, L.P.)

BALANCE SHEETS

ASSETS	July 31, 1998	July 31, 1997
Cash	$1,000	$1,000
Total Assets	$1,000	$1,000
STOCKHOLDER'S EQUITY		
Common stock, $1.00 par value; 2,000 shares authorized; 1,000 shares issued and outstanding	$1,000	$1,000
Additional paid in capital	548	327
Accumulated deficit	(548)	(327)
Total Stockholder's Equity	1,000	1,000
Total Liabilities and Stockholder's Equity	$1,000	$1,000

See notes to financial statements

FERRELLGAS PARTNERS FINANCE CORP.
(a wholly owned subsidiary of Ferrellgas Partners, L.P.)

STATEMENTS OF EARNINGS

	For the year ended July 31, 1998	For the year ended July 31, 1997	From inception to July 31, 1996
Revenues	$ -	$ -	$ -
General and administrative expense	221	285	42
Net loss	$(221)	$(285)	$(42)

See notes to financial statements

FERRELLGAS PARTNERS FINANCE CORP.
(a wholly owned subsidiary of Ferrellgas Partners, L.P.)

STATEMENTS OF STOCKHOLDER'S EQUITY

	Common stock		Additional	Accumulated	Total stockholder's
	Shares	Dollars	paid in capital	deficit	equity
April 8, 1996	0	$ 0	$ 0	$ 0	$ 0
Capital contribution	1,000	1,000	42	-	1,042
Net loss	-	-	-	(42)	(42)
July 31, 1996	1,000	1,000	42	(42)	1,000
Capital contribution	-	-	285	-	285
Net loss	-	-	-	(285)	(285)
July 31, 1997	1,000	1,000	327	(327)	1,000
Capital contribution	-	-	221	-	221
Net loss	-	-	-	(221)	(221)
July 31, 1998	1,000	$1,000	$548	$(548)	$1,000

See notes to financial statements

FERRELLGAS PARTNERS FINANCE CORP.
(a wholly owned subsidiary of Ferrellgas Partners, L.P.)

STATEMENTS OF CASH FLOWS

	For the year ended July 31, 1998	For the year ended July 31, 1997	From inception to July 31, 1996
Cash Flows From Operating Activities:			
Net loss	$(221)	$(285)	$(42)
Cash used by operating activities	(221)	(285)	(42)
Cash Flows From Financing Activities:			
Capital contribution	221	285	1,042
Net advance from affiliate	0	0	0
Cash provided by financing activities	221	285	1,042
Increase (decrease) in cash	0	0	1,000
Cash - beginning of period	1,000	1,000	0
Cash - end of period	$1,000	$1,000	$1,000

See notes to financial statements

FERRELLGAS PARTNERS FINANCE CORP.
(a wholly-owned subsidiary of Ferrellgas Partners, L.P.)

NOTES TO FINANCIAL STATEMENTS

A. Formation

Ferrellgas Partners, Finance Corp. (the "Finance Corp."), a Delaware corporation, was formed on March 28, 1996 and is a wholly-owned subsidiary of Ferrellgas Partners, L.P. (the "Partnership").

The Partnership contributed $1,000 to the Finance Corp. on April 8, 1996 in exchange for 1,000 shares of common stock.

B. Commitment

On April 26, 1996, the Partnership issued $160,000,000 of 9 3/8% Senior Secured Notes due 2006 (the "Senior Notes"). The Senior Notes will be redeemable at the option of the Partnership, in whole or in part, at any time on or after June 15, 2001. Interest is payable semi-annually in arrears on June 15 and December 15 of each year. The Finance Corp. serves as a co-obligor for the Senior Notes.

C. Income Taxes

Income taxes have been computed as though the Company files its own income tax return. Deferred income taxes are provided as a result of temporary differences between financial and tax reporting using the asset/liability method. Deferred income taxes are recognized for the tax consequences of temporary differences between the financial statement carrying amounts and tax basis of existing assets and liabilities.

Due to the inability of the Company to utilize the deferred tax benefit of $232 associated with the current year net operating loss carryforward of $597, which expire at various dates through July 31, 2013, a valuation allowance has been provided on the full amount of the deferred tax asset. Accordingly, there is no net deferred tax benefit for the year ended July 31, 1998 or the period ended July 31, 1997 and there is no net deferred tax asset as of July 31, 1998 or July 31, 1997.

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INDEPENDENT AUDITORS' REPORT

To the Partners of
Ferrellgas Partners, L.P. and Subsidiaries
Liberty, Missouri

We have audited the consolidated financial statements of Ferrellgas Partners, L.P. (formerly Ferrellgas, Inc.), and subsidiaries as of July 31, 1998, and 1997, and for the years ended July 31, 1998, 1997, and 1996, and have issued our report thereon dated September 24, 1998. Our audit also included the financial statement schedules listed at Item 14(a)2. These financial statement schedules are the responsibility of the Partnership's management. Our responsibility is to express an opinion based on our audit. In our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly in all material respects the information therein set forth.

DELOITTE & TOUCHE LLP
Kansas City, Missouri
September 24, 1998

FERRELLGAS PARTNERS, L.P.
PARENT ONLY

BALANCE SHEETS
(in thousands)

ASSETS	July 31, 1998	July 31, 1997
Cash and cash equivalents	$ 1	$ 1
Investment in Ferrellgas, L.P.	148,013	203,360
Other assets, net	2,778	3,298
Total Assets	$ 150,792	$ 206,659
LIABILITIES AND PARTNERS' CAPITAL		
Other current liabilities	$ 1,875	$ 1,876
Long term debt	160,000	160,000
Partners' Capital		
Common unitholders	27,985	52,863
Subordinated unitholders	19,908	50,337
General partner	(58,976)	(58,417)
Total Partners' Capital	(11,083)	44,783
Total Liabilities and Partners' Capital	$ 150,792	$ 206,659

FERRELLGAS PARTNERS, L.P.
PARENT ONLY

STATEMENTS OF EARNINGS
(in thousands)

	For the Year Ended		
	July 31, 1998	July 31, 1997	July 31, 1996
Equity in earnings of Ferrellgas, L.P.	$ 20,462	$ 38,673	$ 27,508
Operating expense	5	27	-
Interest expense	15,514	15,428	4,161
Net earnings	$ 4,943	$ 23,218	$ 23,347

FERRELLGAS PARTNERS, L.P.
PARENT ONLY

STATEMENTS OF CASH FLOWS
(in thousands)

	For the Year Ended		
	July 31, 1998	July 31, 1997	July 31, 1996
Cash Flows From Operating Activities:			
Net earnings	$ 4,943	$ 23,218	$ 23,347
Reconciliation of net earnings to net cash from operating activities:			
Amortization of capitalized financing costs	513	511	161
Equity in (earnings) loss of Ferrellgas, L.P.	(20,671)	(39,068)	(27,508)
Other current assets	3	879	(4,854)
Distributions received from Ferrellgas, L.P.	78,176	80,085	62,863
Increase in other current liabilities	(1)	(2,980)	4,855
Net cash provided by operating activities	62,963	62,645	58,864
Cash Flows From Financing Activities:			
Distributions to partners	(63,176)	(63,044)	(62,863)
Additions to long-term debt	-	-	160,000
Contribution to subsidiary	-	-	(156,000)
Net advance from affiliate	213	399	-
Net cash provided (used) by financing activities	(62,963)	(62,645)	(58,863)
Increase in cash and cash equivalents	-	-	1
Cash and cash equivalents - beginning of period	1	1	-
Cash and cash equivalents - end of period	$ 1	$ 1	$ 1

FERRELLGAS PARTNERS, L.P. AND SUBSIDIARY

VALUATION AND QUALIFYING ACOUNTS
(in thousands)

Description	Balance at beginning of period	Charged to cost/ expenses	Other Additions (A)	Deductions (amounts charged-off)	Balance at end of period
Year ended July 31, 1998					
Allowance for doubtful accounts	$1,234	$3,003	$0	$2,856	$1,381
Accumulated amortization:					
Intangible assets	109,211	14,320	0	0	123,531
Other assets	6,753	2,301	0	0	9,054
Year ended July 31, 1997					
Allowance for doubtful accounts	1,169	2,604	0	2,539	1,234
Accumulated amortization:					
Intangible assets	95,801	13,410	0	0	109,211
Other assets	4,647	2,106	0	0	6,753
Year ended July 31, 1996					
Allowance for doubtful accounts	874	1,151	702	1,558	1,169
Accumulated amortization:					
Intangible assets	81,995	11,620	2,946	760	95,801
Other assets	3,337	1,742	975	1,407	4,647

(A) On April 30, 1996, the General Partner purchased all of the capital stock of Skelgas, Inc. On May 1,1996 the General Partner contributed the assets and substantially all of the liabilities associated with Skelgas, Inc. to the Operating Partnership.The amounts reflected as "Other Additions" represent valuation and qualifying accounts assumedby the Operating Partnership in connection with the contribution by the General Partner.

FERRELLGAS, L.P.

NOTE PURCHASE AGREEMENT

DATED AS OF JULY 1, 1998

Re: $109,000,000 6.99% Senior Notes, Series A, due August 1, 2005 $37,000,000 7.08% Senior Notes, Series B, due August 1, 2006 $52,000,000 7.12% Senior Notes, Series C, due August 1, 2008 $82,000,000 7.24% Senior Notes, Series D, due August 1, 2010 $70,000,000 7.42% Senior Notes, Series E, due August 1, 2013

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FERRELLGAS, L.P.
One Liberty Plaza
Liberty, Missouri 64068

$109,000,000 6.99% Senior Notes, Series A, due August 1, 2005 $37,000,000 7.08% Senior Notes, Series B, due August 1, 2006 $52,000,000 7.12% Senior Notes, Series C, due August 1, 2008 $82,000,000 7.24% Senior Notes, Series D, due August 1, 2010 $70,000,000 7.42% Senior Notes, Series E, due August 1, 2013

Dated as of
July 1, 1998

TO EACH OF THE PURCHASERS LISTED IN THE ATTACHED SCHEDULE A:

Ladies and Gentlemen:

FERRELLGAS, L.P., a Delaware limited partnership (the "Company"), agrees with the Purchasers listed in the attached Schedule A as follows:

SECTION 1. AUTHORIZATION OF NOTES.

The Company will authorize the issue and sale of $350,000,000 aggregate principal amount of its Senior Notes, comprised of $109,000,000 6.99% Senior Notes, Series A, due August 1, 2005 (the "Series A Notes"), $37,000,000 7.08% Senior Notes, Series B, due August 1, 2006 (the "Series B Notes"), $52,000,000 7.12% Senior Notes, Series C, due August 1, 2008 (the "Series C Notes"), $82,000,000 7.24% Senior Notes, Series D, due August 1, 2010 (the "Series D Notes"), and $70,000,000 7.42% Senior Notes, Series E, due August 1, 2013 (the "Series E Notes") (said Series A Notes, Series B Notes, Series C Notes, Series D Notes and Series E Notes being herein collectively called the "Notes", such term to include any such notes issued in substitution therefor pursuant to Section 13 of this Agreement (as hereinafter defined)). The Series A, B, C, D and E Notes shall be substantially in the respective forms set out in Exhibit 1, in each case with such changes therefrom, if any, as may be approved by each Purchaser and the Company. Certain capitalized terms used in this Agreement are defined in Schedule B; references to a "Schedule" or an "Exhibit" are, unless otherwise specified, to a Schedule or an Exhibit attached to this Agreement.

SECTION 2. SALE AND PURCHASE OF NOTES.

Subject to the terms and conditions of this Agreement, the Company will issue and sell to each Purchaser and each Purchaser will purchase from the Company, at the Closing provided for in Section 3, Notes in the principal amount and of the series specified opposite such Purchaser's name in Schedule A at the purchase price of 100% of the principal amount thereof. The obligations of each Purchaser hereunder are several and not joint obligations and each Purchaser shall have no obligation and no liability to any Person for the performance or nonperformance by any other Purchaser hereunder.

SECTION 3. CLOSING.

The sale and purchase of the Notes to be purchased by each Purchaser shall occur at the offices of Chapman and Cutler, 111 West Monroe Street, Chicago, Illinois 60603 at 10:00 A.M. Chicago time, at a closing (the "Closing") on such Business Day prior to August 15, 1998 as may be designated by at least five Business Days' prior written notice to the Purchasers. At the Closing the Company will deliver to each Purchaser the Notes of any such series to be purchased by such Purchaser in the form of a single Note of each series to be purchased by such Purchaser (or such greater number of Notes of any such series in denominations of at least $100,000 as such Purchaser may request) dated the date of the Closing and registered in such Purchaser's name (or in the name of such Purchaser's nominee), against delivery by such Purchaser to the Company or its order of immediately available funds in the amount of the purchase price therefor by wire transfer of immediately available funds for the account of the Company to Norwest Bank Minnesota, as cashiering agent, at such trust account number as shall be designated by the Company in the notice of Closing referred to above. If at the Closing the Company shall fail to tender such Notes to any Purchaser as provided above in this Section 3, or any of the conditions specified in Section 4 shall not have been fulfilled to any Purchaser's satisfaction, such Purchaser shall, at such Purchaser's election, be relieved of all further obligations under this Agreement, without thereby waiving any rights such Purchaser may have by reason of such failure or such nonfulfillment.

SECTION 4. CONDITIONS TO CLOSING.

The obligation of each Purchaser to purchase and pay for the Notes to be sold to such Purchaser at the Closing is subject to the fulfillment to such Purchaser's satisfaction, prior to or at the Closing, of the following conditions:

Section 4.1.Representations and Warranties. The representations and warranties of the Company in this Agreement shall be correct when made and at the time of the Closing.

Section 4.2.Performance; No Default. The Company shall have performed and complied with all agreements and conditions contained in this Agreement required to be performed or complied with by it prior to or at the Closing, and after

giving effect to the issue and sale of the Notes (and the application of the proceeds thereof as contemplated by Schedule 5.14), no Default or Event of Default shall have occurred and be continuing. Neither the Company nor any Subsidiary shall have entered into any transaction since the date of the Memorandum that would have been prohibited by Section 10 hereof had such Section applied since such date.

Section 4.3.Compliance Certificates.

(a) Officer's Certificate. The Company shall have delivered to such Purchaser an Officer's Certificate, dated the date of the Closing, certifying that the conditions specified in Sections 4.1, 4.2 and 4.9 have been fulfilled.

(b) Secretary's Certificate. The General Partner shall have delivered to such Purchaser a certificate certifying as to the resolutions attached thereto and other proceedings relating to the authorization, execution and delivery of the Notes and this Agreement.

(c) ERISA Certificate. If such Purchaser shall have made the disclosures referred to in Section 6.2(b), (c) or (e), such Purchaser shall have received the certificate from the Company described in the last paragraph of Section 6.2 and such certificate shall state that (i) the Company is neither a "party in interest" nor a "disqualified person" (as defined in Section 4975(e)(2) of the Code), with respect to any plan identified pursuant to Section 6.2(b) or (e) or (ii) with respect to any plan, identified pursuant to Section 6.2(c), neither the Company nor any "affiliate" (as defined in Section V(c) of the QPAM Exemption) has, at such time or during the immediately preceding one year, exercised the authority to appoint or terminate the QPAM as manager of the assets of any plan identified in writing pursuant to Section 6.2(c) or to negotiate the terms of said QPAM's management agreement on behalf of any such identified plans.

Section 4.4.Opinions of Counsel. Such Purchaser shall have received opinions in form and substance satisfactory to such Purchaser, dated the date of the Closing (a) from Bryan Cave LLP, special counsel for the Company, covering the matters set forth in Exhibit 4.4(a) and covering such other matters incident to the transactions contemplated hereby as such Purchaser or such Purchaser's counsel may reasonably request (and the Company hereby instructs its counsel to deliver such opinion to such Purchaser) and (b) from Chapman and Cutler, the Purchasers' special counsel in connection with such transactions, substantially in the form set forth in Exhibit 4.4(b) and covering such other matters incident to such transactions as such Purchaser may reasonably request.

Section 4.5.Purchase Permitted by Applicable Law, Etc. On the date of the Closing each purchase of Notes shall (a) be permitted by the laws and regulations of each jurisdiction to which each Purchaser is subject, without recourse to provisions (such as Section 1405(a)(8) of the New York Insurance Law) permitting limited investments by insurance companies without restriction as to the character of the particular investment, (b) not violate any applicable law or regulation (including, without limitation, Regulation T, U or X of the Board of Governors of the Federal Reserve System) and (c) not subject any Purchaser to any tax, penalty or liability under or pursuant to any applicable law or regulation, which law or regulation was not in effect on the date hereof. If requested by any Purchaser, such Purchaser shall have received an Officer's Certificate certifying as to such matters of fact as such Purchaser may reasonably specify to enable such Purchaser to determine whether such purchase is so permitted.

Section 4.6.Related Transactions. The Company shall have consummated the sale of the entire principal amount of the Notes scheduled to be sold on the Closing Date pursuant to this Agreement.

Section 4.7.Payment of Special Counsel Fees. Without limiting the provisions of Section 15.1, the Company shall have paid on or before the Closing the fees, charges and disbursements of the Purchasers' special counsel referred to in Section 4.4 to the extent reflected in a statement of such counsel rendered to the Company at least one Business Day prior to the Closing.

Section 4.8.Private Placement Numbers. A Private Placement Number issued by Standard & Poor's CUSIP Service Bureau (in cooperation with the Securities Valuation Office of the National Association of Insurance Commissioners) shall have been obtained for each series of the Notes.

Section 4.9.Changes in Structure. The Company shall not have changed its jurisdiction of organization or been a party to any merger or consolidation and shall not have succeeded to all or any substantial part of the liabilities of any other entity, at any time following the date of the most recent financial statements referred to in Schedule 5.5.

Section 4.10.Redemption of Senior Notes. The Company shall have given notice of redemption of the entire principal amount of the Senior Notes issued and outstanding under the Indenture dated as of July 5, 1994 (the "Indenture") between the Company, Ferrellgas Finance Corp. and Norwest Bank Minnesota, National Association (the "Trustee") in accordance with the terms thereof, which redemption shall be made on the first Business Day following the date of Closing; and concurrently with the issuance and sale of the Notes hereunder, the Company shall irrevocably deposit with the Trustee an amount sufficient for the redemption of such Senior Notes on such Business Day.

Section 4.11.Rating. Prior to the date of Closing, the Notes shall have received a rating of "BBB" or better from Fitch IBCA, Inc.

Section 4.12.Proceedings and Documents. All proceedings in connection with the transactions contemplated by this Agreement and all documents and instruments incident to such transactions shall be satisfactory to such Purchaser and such Purchaser's special counsel, and such Purchaser and such Purchaser's special

counsel shall have received all such counterpart originals or certified or other copies of such documents as such Purchaser or such Purchaser's special counsel may reasonably request.

SECTION 5. REPRESENTATIONS AND WARRANTIES OF THE COMPANY.

The Company represents and warrants to each Purchaser that:

Section 5.1.Organization; Power and Authority; Ownership. The Company is a limited partnership duly organized, validly existing and in good standing under the laws of the State of Delaware, and is duly licensed or qualified as a foreign partnership and is in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be so qualified or in good standing could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. The Company has the power and authority to own or hold under lease the properties it purports to own or hold under lease, to transact the business it transacts and proposes to transact, to execute and deliver this Agreement and the Notes and to perform the provisions hereof and thereof. The name of each Person holding an equity interest in the Company (including a description of the nature of such interest) is set forth on Schedule 5.1.

Section 5.2.Authorization, Etc. This Agreement and the Notes have been duly authorized by all necessary action on the part of the Company, and this Agreement constitutes, and upon execution and delivery thereof each Note will constitute, a legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except as such enforceability may be limited by (i) applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

Section 5.3.Disclosure. The Company, through its agent, BancAmerica Robertson Stephens, has delivered to each Purchaser a copy of a Private Placement Memorandum, dated May, 1998 (the "Memorandum"), relating to the transactions contemplated hereby. The Memorandum fairly describes, in all material respects, the general nature of the business and principal properties of the Company and its Restricted Subsidiaries. Except as disclosed in Schedule 5.3, this Agreement, the Memorandum, the documents, certificates or other writings delivered to each Purchaser by or on behalf of the Company in connection with the transactions contemplated hereby and the financial statements listed in Schedule 5.5, taken as a whole, do not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein not misleading in light of the circumstances under which they were made. Except as disclosed in the Memorandum or as expressly described in Schedule 5.3, or in one of the documents, certificates or other writings identified therein, or in the financial statements listed in Schedule 5.5, since July 31, 1997, there has been no change in the financial condition, operations, business, properties or prospects of the Company or any of its Restricted Subsidiaries except changes that individually or in the aggregate could not reasonably be expected to have a Material Adverse Effect. There is no fact known to the Company that could reasonably be expected to have a Material Adverse Effect that has not been set forth herein or in the Memorandum or in the other documents, certificates and other writings delivered to each Purchaser by or on behalf of the Company specifically for use in connection with the transactions contemplated hereby.

Section 5.4.Organization and Ownership of Shares of Subsidiaries; Affiliates. (a) Schedule 5.4 contains (except as noted therein) complete and correct lists (i) of the Company's Subsidiaries, showing, as to each Subsidiary, its status (whether a Restricted or Unrestricted Subsidiary), the correct name thereof, the jurisdiction of its organization, and the percentage of shares of each class of its capital stock or similar equity interests outstanding owned by the Company and each other Subsidiary, (ii) of the Company's Affiliates, other than Subsidiaries, and (iii) of the Company's directors and senior officers.

(b) All of the outstanding shares of capital stock or similar equity interests of each Subsidiary shown in Schedule 5.4 as being owned by the Company and its Subsidiaries have been validly issued, are fully paid and nonassessable and are owned by the Company or another Subsidiary free and clear of any Lien (except as otherwise disclosed in Schedule 5.4).

(c) Each Restricted Subsidiary identified in Schedule 5.4 is a corporation or other legal entity duly organized, validly existing and in good standing under the laws of its jurisdiction of organization, and is duly qualified as a foreign corporation or other legal entity and is in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be so qualified or in good standing could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Each such Restricted Subsidiary has the corporate or other power and authority to own or hold under lease the properties it purports to own or hold under lease and to transact the business it transacts and proposes to transact.

(d) No Restricted Subsidiary is a party to, or otherwise subject to, any legal restriction or any agreement (other than this Agreement, the agreements listed on Schedule 5.4 and customary limitations imposed by corporate law statutes) restricting the ability of such Restricted Subsidiary to pay dividends out of profits or make any other similar distributions of profits to the Company or any of its Restricted Subsidiaries that owns outstanding shares of capital stock or similar equity interests of such Restricted Subsidiary.

Section 5.5.Financial Statements. The Company has delivered to each Purchaser copies of the financial statements of the Company and its Restricted Subsidiaries listed on Schedule 5.5. All of said financial statements (including in each case the related schedules and notes) fairly present in all material respects the consolidated financial position of the Company and its Restricted

Subsidiaries as of the respective dates specified in such financial statements and the consolidated results of their operations and cash flows for the respective periods so specified and have been prepared in accordance with GAAP consistently applied throughout the periods involved except as set forth in the notes thereto (subject, in the case of any interim financial statements, to normal year-end adjustments).

Section 5.6.Compliance with Laws, Other Instruments, Etc. The execution, delivery and performance by the Company of this Agreement and the Notes will not (a) contravene, result in any breach of, or constitute a default under, or result in the creation of any Lien in respect of any property of the Company or any Restricted Subsidiary under, any indenture, mortgage, deed of trust, loan, purchase or credit agreement, lease, partnership agreement, corporate charter or by-laws, or any other agreement or instrument to which the Company or any Restricted Subsidiary is bound or by which the Company or any Restricted Subsidiary or any of their respective properties may be bound or affected, (b) conflict with or result in a breach of any of the terms, conditions or provisions of any Material order, judgment, decree, or ruling of any court, arbitrator or Governmental Authority applicable to the Company or any Restricted Subsidiary or (c) violate any provision of any Material statute or other rule or regulation of any Governmental Authority applicable to the Company or any Restricted Subsidiary.

Section 5.7.Governmental Authorizations, Etc. No consent, approval or authorization of, or registration, filing or declaration with, any Governmental Authority is required in connection with the execution, delivery or performance by the Company of this Agreement or the Notes.

Section 5.8.Litigation; Observance of Agreements, Statutes and Orders. (a) Except as disclosed in Schedule 5.8, there are no actions, suits or proceedings pending or, to the knowledge of the Company, threatened against or affecting the Company or any Restricted Subsidiary or any property of the Company or any Restricted Subsidiary in any court or before any arbitrator of any kind or before or by any Governmental Authority that, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

(b) Neither the Company nor any Restricted Subsidiary is in default under any term of any agreement or instrument to which it is a party or by which it is bound, or any order, judgment, decree or ruling of any court, arbitrator or Governmental Authority or is in violation of any applicable law, ordinance, rule or regulation (including without limitation Environmental Laws) of any Governmental Authority, which default or violation, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

Section 5.9.Taxes. The Company and its Restricted Subsidiaries have filed all tax returns that are required to have been filed in any jurisdiction, and have paid all taxes shown to be due and payable on such returns and all other taxes and assessments levied upon them or their properties, assets, income or franchises, to the extent such taxes and assessments have become due and payable and before they have become delinquent, except for any taxes and assessments (a) the amount of which is not individually or in the aggregate Material or (b) the amount, applicability or validity of which is currently being contested in good faith by appropriate proceedings and with respect to which the Company or a Restricted Subsidiary, as the case may be, has established adequate reserves in accordance with GAAP. The Company knows of no basis for any other tax or assessment that could reasonably be expected to have a Material Adverse Effect. The charges, accruals and reserves on the books of the Company and its Restricted Subsidiaries in respect of Federal, state or other taxes for all fiscal periods are adequate.

Section 5.10.Title to Property; Leases. The Company and its Restricted Subsidiaries have good and sufficient title to their respective properties that individually or in the aggregate are Material, including all such properties reflected in the most recent audited balance sheet referred to in Section 5.5 or purported to have been acquired by the Company or any Restricted Subsidiary after said date (except as sold or otherwise disposed of in the ordinary course of business), in each case free and clear of Liens that individually or in the aggregate would have a Material Adverse Effect. All leases that individually or in the aggregate are Material are valid and subsisting and are in full force and effect in all material respects.

Section 5.11.Licenses, Permits, Etc. Except as disclosed in Schedule 5.11,

(a) the Company and its Restricted Subsidiaries own or possess all licenses, permits, franchises, authorizations, patents, copyrights, service marks, trademarks and trade names, or rights thereto, that individually or in the aggregate are Material, without known conflict with the rights of others;

(b) to the best knowledge of the Company, no product of the Company or any of its Restricted Subsidiaries infringes in any material respect any license, permit, franchise, authorization, patent, copyright, service mark, trademark, trade name or other right owned by any other Person; and

(c) to the best knowledge of the Company, there is no Material violation by any Person of any right of the Company or any of its Restricted Subsidiaries with respect to any patent, copyright, service mark, trademark, trade name or other right owned or used by the Company or any of its Restricted Subsidiaries.

Section 5.12.Compliance with ERISA. (a) The Company and each ERISA Affiliate have operated and administered each Plan in compliance with all applicable laws except for such instances of noncompliance as have not resulted in and could not reasonably be expected to result in a Material Adverse Effect. Neither the Company nor any ERISA Affiliate has incurred any liability pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans (as defined in Section 3 of ERISA), and no event,

transaction or condition has occurred or exists that could reasonably be expected to result in the incurrence of any such liability by the Company or any ERISA Affiliate, or in the imposition of any Lien on any of the rights, properties or assets of the Company or any ERISA Affiliate, in either case pursuant to Title I or IV of ERISA or to such penalty or excise tax provisions or to Section 401(a)(29) or 412 of the Code, other than such liabilities or Liens as would not be individually or in the aggregate Material.

(b) The present value of the aggregate benefit liabilities under each of the Plans (other than Multiemployer Plans), determined as of the end of such Plan's most recently ended plan year on the basis of the actuarial assumptions specified for funding purposes in such Plan's most recent actuarial valuation report, did not exceed the aggregate current value of the assets of such Plan allocable to such benefit liabilities. The term "benefit liabilities" has the meaning specified in Section 4001 of ERISA and the terms "current value" and "present value" have the meanings specified in Section 3 of ERISA.

(c) The Company and its ERISA Affiliates have not incurred withdrawal liabilities (and are not subject to contingent withdrawal liabilities) under Section 4201 or 4204 of ERISA in respect of Multiemployer Plans that individually or in the aggregate are Material.

(d) The expected post-retirement benefit obligation (determined as of the last day of the Company's most recently ended fiscal year in accordance with Financial Accounting Standards Board Statement No. 106, without regard to liabilities attributable to continuation coverage mandated by Section 4980B of the Code) of the Company and its Restricted Subsidiaries is not Material.

(e) The execution and delivery of this Agreement and the issuance and sale of the Notes hereunder will not involve any transaction that is subject to the prohibitions of Section 406 of ERISA or in connection with which a tax could be imposed pursuant to Section 4975(c)(1)(A)-(D) of the Code. The representation by the Company in the first sentence of this Section 5.12(e) is made in reliance upon and subject to the accuracy of each Purchaser's representation in Section 6.2 as to the sources of the funds to be used to pay the purchase price of the Notes to be purchased by such Purchaser.

Section 5.13.Private Offering by the Company. Neither the Company nor anyone acting on its behalf has offered the Notes or any similar securities for sale to, or solicited any offer to buy any of the same from, or otherwise approached or negotiated in respect thereof with, any Person other than the Purchasers and not more than 55 other institutional investors, each of which has been offered the Notes at a private sale for investment. Neither the Company nor anyone acting on its behalf has taken, or will take, any action that would subject the issuance or sale of the Notes to the registration requirements of Section 5 of the Securities Act.

Section 5.14.Use of Proceeds; Margin Regulations. The Company will apply the proceeds of the sale of the Notes as set forth in Schedule 5.14. No part of the proceeds from the sale of the Notes hereunder will be used, directly or indirectly, for the purpose of buying or carrying any margin stock within the meaning of Regulation U of the Board of Governors of the Federal Reserve System (12 CFR 221), or for the purpose of buying or carrying or trading in any securities under such circumstances as to involve the Company in a violation of Regulation X of said Board (12 CFR 224) or to involve any broker or dealer in a violation of Regulation T of said Board (12 CFR 220). Margin stock does not constitute more than 0% of the value of the consolidated assets of the Company and its Restricted Subsidiaries and the Company does not have any present intention that margin stock will constitute more than 0% of the value of such assets. As used in this Section, the terms "margin stock" and "purpose of buying or carrying" shall have the meanings assigned to them in said Regulation U.

Section 5.15.Existing Indebtedness; Future Liens. (a) Schedule 5.15 sets forth a complete and correct list of all outstanding Indebtedness of the Company and its Restricted Subsidiaries as of June 30, 1998, since which date there has been no Material change in the amounts, interest rates, sinking funds, installment payments or maturities of the Indebtedness of the Company or its Restricted Subsidiaries. Neither the Company nor any Restricted Subsidiary is in default and no waiver of default is currently in effect, in the payment of any principal or interest on any Indebtedness of the Company or such Restricted Subsidiary and no event or condition exists with respect to any Indebtedness of the Company or any Restricted Subsidiary that would permit (or that with notice or the lapse of time, or both, would permit) one or more Persons to cause such Indebtedness to become due and payable before its stated maturity or before its regularly scheduled dates of payment.

(b) Except as disclosed in Schedule 5.15, neither the Company nor any Restricted Subsidiary has agreed or consented to cause or permit in the future (upon the happening of a contingency or otherwise) any of its property, whether now owned or hereafter acquired, to be subject to a Lien not permitted by Section 10.4.

Section 5.16.Foreign Assets Control Regulations, Etc. Neither the sale of the Notes by the Company hereunder nor its use of the proceeds thereof will violate the Trading with the Enemy Act, as amended, or any of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) or any enabling legislation or executive order relating thereto.

Section 5.17.Status under Certain Statutes. Neither the Company nor any Restricted Subsidiary is an "investment company" registered or required to be registered under the Investment Company Act of 1940, as amended, or is subject to regulation under the Public Utility Holding Company Act of 1935, as amended, the ICC Termination Act of 1995, as amended, or the Federal Power Act, as amended.

Section 5.18.Environmental Matters. Neither the Company nor any Restricted Subsidiary has knowledge of any claim or has received any notice of any claim,

and no proceeding has been instituted raising any claim against the Company or any of its Restricted Subsidiaries or any of their respective real properties now or formerly owned, leased or operated by any of them or other assets, alleging any damage to the environment or violation of any Environmental Laws, except, in each case, such as could not reasonably be expected to result in a Material Adverse Effect. Except as otherwise disclosed to each Purchaser in writing:

(a) neither the Company nor any Restricted Subsidiary has knowledge of any facts which would give rise to any claim, public or private, of violation of Environmental Laws or damage to the environment emanating from, occurring on or in any way related to real properties now or formerly owned, leased or operated by any of them or to other assets or their use, except, in each case, such as could not reasonably be expected to result in a Material Adverse Effect;

(b) neither the Company nor any of its Restricted Subsidiaries has stored any Hazardous Materials on real properties now or formerly owned, leased or operated by any of them or has disposed of any Hazardous Materials in a manner contrary to any Environmental Laws in each case in any manner that could reasonably be expected to result in a Material Adverse Effect; and

(c) all buildings on all real properties now owned, leased or operated by the Company or any of its Restricted Subsidiaries are in compliance with applicable Environmental Laws, except where failure to comply could not reasonably be expected to result in a Material Adverse Effect.

SECTION 6. REPRESENTATIONS OF THE PURCHASER.

Section 6.1.Purchase for Investment. Each Purchaser represents that (a) it is purchasing the Notes for its own account or for one or more separate accounts maintained by it or for the account of one or more pension or trust funds and not with a view to the distribution thereof, provided that the disposition of such Purchaser's or such pension or trust funds' property shall at all times be within such Purchaser's or such pension or trust funds' control, and (b) it is an "accredited investor" within the meaning of Rule 501 of Regulation D of the Securities Act. Each Purchaser understands that the Notes have not been registered under the Securities Act and may be resold only if registered pursuant to the provisions of the Securities Act or if an exemption from registration is available, except under circumstances where neither such registration nor such an exemption is required by law, and that the Company is not required to register the Notes.

Section 6.2.Source of Funds. Each Purchaser represents that at least one of the following statements is an accurate representation as to each source of funds (a "Source") to be used by it to pay the purchase price of the Notes to be purchased by it hereunder:

(a) the Source is an "insurance company general account" within the meaning of Department of Labor Prohibited Transaction Exemption ("PTE") 95-60 (issued July 12, 1995) and there is no employee benefit plan, treating as a single plan, all plans maintained by the same employer or employee organization, with respect to which the amount of the general account reserves and liabilities for all contracts held by or on behalf of such plan, exceeds ten percent (10%) of the total reserves and liabilities of such general account (exclusive of separate account liabilities) plus surplus, as set forth in the NAIC Annual Statement for such Purchaser most recently filed with such Purchaser's state of domicile; or

(b) the Source is either (i) an insurance company pooled separate account, within the meaning of PTE 90-1 (issued January 29, 1990), or (ii) a bank collective investment fund, within the meaning of the PTE 91-38 (issued July 12, 1991) and, except as such Purchaser has disclosed to the Company in writing pursuant to this paragraph (b), no employee benefit plan or group of plans maintained by the same employer or employee organization beneficially owns more than 10% of all assets allocated to such pooled separate account or collective investment fund; or

(c) the Source constitutes assets of an "investment fund" (within the meaning of Part V of the QPAM Exemption) managed by a "qualified professional asset manager" or "QPAM" (within the meaning of Part V of the QPAM Exemption), no employee benefit plan's assets that are included in such investment fund, when combined with the assets of all other employee benefit plans established or maintained by the same employer or by an affiliate (within the meaning of Section V(c)(1) of the QPAM Exemption) of such employer or by the same employee organization and managed by such QPAM, exceed 20% of the total client assets managed by such QPAM, the conditions of Part I(c) and (g) of the QPAM Exemption are satisfied, neither the QPAM nor a person controlling or controlled by the QPAM (applying the definition of "control" in Section V(e) of the QPAM Exemption) owns a 5% or more interest in the Company and (i) the identity of such QPAM and (ii) the names of all employee benefit plans whose assets are included in such investment fund have been disclosed to the Company in writing pursuant to this paragraph (c); or

(d) the Source is a governmental plan; or

(e) the Source is one or more employee benefit plans, or a separate account or trust fund comprised of one or more employee benefit plans, each of which has been identified to the Company in writing pursuant to this paragraph (e);

(f) the Source does not include assets of any employee benefit plan, other than a plan exempt from the coverage of ERISA; or

(g) the Source is an insurance company separate account maintained solely in connection with the fixed contractual obligations of the insurance company under which the amounts payable, or credited, to any employee benefit plan (or its related trust) and to any participant or beneficiary of such plan (including any annuitant) are not affected in any manner by the investment performance of the separate account.

If any Purchaser or any subsequent transferee of the Notes indicates that such Purchaser or such transferee is relying on any representation contained in paragraph (b), (c) or (e) above, the Company shall deliver on the date of Closing or on the date of transfer, as applicable, a certificate, which shall state whether (i) it is a party in interest or a "disqualified person" (as defined in Section 4975(e)(2) of the Code), with respect to any plan identified pursuant to paragraphs (b) or (e) above, or (ii) with respect to any plan, identified pursuant to paragraph (c) above, whether it or any "affiliate" (as defined in Section V(c) of the QPAM Exemption) has at such time, and during the immediately preceding one year, exercised the authority to appoint or terminate said QPAM as manager of any plan identified in writing pursuant to paragraph (c) above or to negotiate the terms of said QPAM's management agreement on behalf of any such identified plan. As used in this Section 6.2, the terms "employee benefit plan", "governmental plan", "party in interest" and "separate account" shall have the respective meanings assigned to such terms in Section 3 of ERISA.

SECTION 7. INFORMATION AS TO COMPANY; STATUS OF SUBSIDIARIES.

Section 7.1.Financial and Business Information. The Company shall deliver to each holder of Notes that is an Institutional Investor:

(a) Quarterly Statements -- within 60 days after the end of each quarterly fiscal period in each fiscal year of the Company (other than the last quarterly fiscal period of each such fiscal year), duplicate copies of,

(i) an unaudited consolidated balance sheet of the Company and its Restricted Subsidiaries as at the end of such quarter, and

(ii) unaudited consolidated statements of income, changes in partners' equity and cash flows of the Company and its Restricted Subsidiaries, for such quarter and (in the case of the second and third quarters) for the portion of the fiscal year ending with such quarter,

setting forth in each case in comparative form the figures for the corresponding periods in the previous fiscal year, all in reasonable detail, prepared in accordance with GAAP applicable to quarterly financial statements generally, and certified by a Senior Financial Officer as fairly presenting, in all material respects, the financial position of the companies being reported on and their results of operations and cash flows, subject to changes resulting from normal, recurring year-end adjustments, provided that delivery within the time period specified above of copies of the Company's Quarterly Report on Form 10-Q prepared in compliance with the requirements therefor and filed with the Securities and Exchange Commission shall be deemed to satisfy the requirements of this Section 7.1(a);

(b) Annual Statements -- within 120 days after the end of each fiscal year of the Company, duplicate copies of,

(i) a consolidated balance sheet of the Company and its Restricted Subsidiaries, as at the end of such year, and

(ii) consolidated statements of income, changes in partners' equity and cash flows of the Company and its Restricted Subsidiaries, for such year,

setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail, prepared in accordance with GAAP, and accompanied by

(A) an opinion thereon of independent certified public accountants of recognized national standing, which opinion shall state that such financial statements present fairly, in all material respects, the financial position of the companies being reported upon and their results of operations and cash flows and have been prepared in conformity with GAAP, and that the examination of such accountants in connection with such financial statements has been made in accordance with generally accepted auditing standards, and that such audit provides a reasonable basis for such opinion in the circumstances, and

(B) a certificate of such accountants stating that they have reviewed this Agreement and stating further whether, in making their audit, they have become aware of any condition or event that then constitutes a Default or an Event of Default, and, if they are aware that any such condition or event then exists, specifying the nature and period of the existence thereof (it being understood that such accountants shall not be liable, directly or indirectly, for any failure to obtain knowledge of any Default or Event of Default unless such accountants should have obtained knowledge thereof in

making an audit in accordance with generally accepted auditing standards or did not make such an audit),

provided that the delivery within the time period specified above of the Company's Annual Report on Form 10-K for such fiscal year (together with the Company's annual report to shareholders, if any, prepared pursuant to Rule 14a-3 under the Exchange Act) prepared in accordance with the requirements therefor and filed with the Securities and Exchange Commission, together with the accountant's certificate described in clause (B) above, shall be deemed to satisfy the requirements of this Section 7.1(b);

(c) SEC and Other Reports -- promptly upon their becoming available, one copy of each regular or periodic report, each registration statement (without exhibits except as expressly requested by such holder), and each prospectus and all amendments thereto filed by the Company or any Restricted Subsidiary with the Securities and Exchange Commission and of all press releases and other statements made available generally by the Company or any Restricted Subsidiary to the public concerning developments that are Material;

(d) Notice of Default or Event of Default -- promptly, and in any event within five Business Days after a Responsible Officer becoming aware of the existence of any Default or Event of Default or that any Person has given any notice or taken any action with respect to a claimed default hereunder or that any Person has given any notice or taken any action with respect to a claimed default of the type referred to in Section 11(f), a written notice specifying the nature and period of existence thereof and what action the Company is taking or proposes to take with respect thereto;

(e) ERISA Matters -- promptly, and in any event within five Business Days after a Responsible Officer becoming aware of any of the following, a written notice setting forth the nature thereof and the action, if any, that the Company or an ERISA Affiliate proposes to take with respect thereto:

(i) with respect to any Plan, any reportable event, as defined in section 4043(b) of ERISA and the regulations thereunder, for which notice thereof has not been waived pursuant to such regulations as in effect on the date hereof; or

(ii) the taking by the PBGC of steps to institute, or the threatening by the PBGC of the institution of, proceedings under section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan, or the receipt by the Company or any ERISA Affiliate of a notice from a Multiemployer Plan that such action has been taken by the PBGC with respect to such Multiemployer Plan; or

(iii) any event, transaction or condition that could result in the incurrence of any liability by the Company or any ERISA Affiliate pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans, or in the imposition of any Lien on any of the rights, properties or assets of the Company or any ERISA Affiliate pursuant to Title I or IV of ERISA or such penalty or excise tax provisions, if such liability or Lien, taken together with any other such liabilities or Liens then existing, could reasonably be expected to have a Material Adverse Effect;

(f) Notices from Governmental Authority -- promptly, and in any event within 30 days of receipt thereof, copies of any notice to the Company or any Restricted Subsidiary from any Federal or state Governmental Authority relating to any order, ruling, statute or other law or regulation that could reasonably be expected to have a Material Adverse Effect; and

(g) Requested Information -- with reasonable promptness, such other data and information relating to the business, operations, affairs, financial condition, assets or properties of the Company or any of its Restricted Subsidiaries or relating to the ability of the Company to perform its obligations hereunder and under the Notes as from time to time may be reasonably requested by any such holder of Notes.

Section 7.2.Officer's Certificate. Each set of financial statements delivered to a holder of Notes pursuant to Section 7.1(a) or Section 7.1(b) hereof shall be accompanied by a certificate of a Senior Financial Officer setting forth:

(a) Covenant Compliance -- the information (including detailed calculations) required in order to establish whether the Company was in compliance with the requirements of Section 10.1 through Section 10.8 hereof, inclusive, during the quarterly or annual period covered by the statements then being furnished (including with respect to each such Section, where applicable, the calculations of the maximum or minimum amount, ratio or percentage, as the case may be, permissible under the terms of such Sections, and the calculation of the amount, ratio or percentage then in existence); and

(b) Event of Default -- a statement that such officer has reviewed the relevant terms hereof and has made, or caused to be made, under his or her supervision, a review of the transactions and conditions of the Company and its Restricted Subsidiaries from the beginning of the quarterly or annual period covered by the statements then being furnished to the date of the certificate and that such

review shall not have disclosed the existence during such period of any condition or event that constitutes a Default or an Event of Default or, if any such condition or event existed or exists (including, without limitation, any such event or condition resulting from the failure of the Company or any Restricted Subsidiary to comply with any Environmental Law), specifying the nature and period of existence thereof and what action the Company shall have taken or proposes to take with respect thereto.

Section 7.3.Inspection. The Company shall permit the representatives of each holder of Notes that is an Institutional Investor:

(a) No Default -- if no Default or Event of Default then exists, at the expense of such holder and upon reasonable prior notice to the Company, to visit the principal executive office of the Company, to discuss the affairs, finances and accounts of the Company and its Restricted Subsidiaries with the Company's officers, and (with the consent of the Company, which consent will not be unreasonably withheld) its independent public accountants, and (with the consent of the Company, which consent will not be unreasonably withheld) to visit the other offices and properties of the Company and each Restricted Subsidiary, all at such reasonable times and as often as may be reasonably requested in writing; and

(b) Default -- if a Default or Event of Default then exists, at the expense of the Company, to visit and inspect any of the offices or properties of the Company or any Restricted Subsidiary, to examine all their respective books of account, records, reports and other papers, to make copies and extracts therefrom, and to discuss their respective affairs, finances and accounts with their respective officers and independent public accountants (and by this provision the Company authorizes said accountants to discuss the affairs, finances and accounts of the Company and its Restricted Subsidiaries), all at such times and as often as may be requested.

Section 7.4.Change in Status of Subsidiaries. (a) So long as no Default or Event of Default shall have occurred and be continuing, the Company may at any time and from time to time, upon not less than 30 days' prior written notice given to each Holder, designate a previously Restricted Subsidiary as an Unrestricted Subsidiary or a previously Unrestricted Subsidiary (including a new Subsidiary designated on the date of its formation or acquisition) which satisfies the requirements of clauses (i), (ii) and (iii) of the definition of "Restricted Subsidiary" as a Restricted Subsidiary, provided that immediately after such designation and after giving effect thereto no Default or Event of Default shall have occurred and be continuing, and provided further that after such designation the status of such Subsidiary had not been changed more than twice.

(b) Any notice of designation pursuant to this Section 7.4 shall be accompanied by a certificate signed by a Responsible Officer of the Company stating that the provisions of this Section 7.4 have been complied with in connection with such designation and setting forth the name of each other Subsidiary (if any) which has or will become a Restricted Subsidiary or an Unrestricted Subsidiary, as the case may be, as a result of such designation.

SECTION 8. PREPAYMENT OF THE NOTES.

Section 8.1.Prepayments. The entire outstanding principal amount of the Series A Notes shall be due on August 1, 2005, the entire outstanding principal amount of the Series B Notes shall be due on August 1, 2006, the entire outstanding principal amount of the Series C Notes shall be due on August 1, 2008, the entire outstanding principal amount of the Series D Notes shall be due on August 1, 2010, and the entire outstanding principal amount of the Series E Notes shall be due on August 1, 2013. Except as set forth in Section 8.2, the Notes may not be prepaid prior to maturity at the option of the Company.

Section 8.2.Optional Prepayments with Make-Whole Amount. The Company may, at its option, upon notice as provided below, prepay at any time all, or from time to time any part of, the Notes of any series, in an amount not less than $5,000,000 in the case of a partial prepayment of any series, at 100% of the principal amount so prepaid, together with interest accrued thereon to the date of such prepayment, plus the Make-Whole Amount determined for the prepayment date with respect to such principal amount. The Company will give each holder of Notes of any series being prepaid written notice of each optional prepayment under this Section 8.2 not less than 30 days and not more than 60 days prior to the date fixed for such prepayment. Each such notice shall specify such date, the aggregate principal amount of the Notes of such series to be prepaid on such date, the principal amount of each Note of such series held by such holder to be prepaid (determined in accordance with Section 8.3), and the interest to be paid on the prepayment date with respect to such principal amount being prepaid, and shall be accompanied by a certificate of a Senior Financial Officer as to the estimated Make-Whole Amount due in connection with such prepayment (calculated as if the date of such notice were the date of the prepayment), setting forth the details of such computation. Two Business Days prior to such prepayment, the Company shall deliver to each holder of Notes a certificate of a Senior Financial Officer specifying the calculation of such Make-Whole Amount as of the specified prepayment date.

Section 8.3.Allocation of Partial Prepayments. In the case of each partial prepayment of the Notes of any series, the principal amount of the Notes of such series to be prepaid shall be allocated among all of the Notes of such series at the time outstanding in proportion, as nearly as practicable, to the respective unpaid principal amounts thereof not theretofore called for prepayment.

Section 8.4.Maturity; Surrender, Etc. In the case of each prepayment of Notes of any series pursuant to this Section 8, the principal amount of each Note of such series to be prepaid shall mature and become due and payable on the date fixed for such prepayment, together with interest on such principal amount accrued to

such date and the applicable Make-Whole Amount, if any. From and after such date, unless the Company shall fail to pay such principal amount when so due and payable, together with the interest and Make-Whole Amount, if any, as aforesaid, interest on such principal amount shall cease to accrue. Any Note paid or prepaid in full shall be surrendered to the Company and cancelled and shall not be reissued, and no Note shall be issued in lieu of any prepaid principal amount of any Note.

Section 8.5.Purchase of Notes. The Company will not and will not permit any Affiliate to purchase, redeem, prepay or otherwise acquire, directly or indirectly, any of the outstanding Notes except upon the payment or prepayment of the Notes in accordance with the terms of this Agreement, and the Notes. The Company will promptly cancel all Notes acquired by it or any Affiliate pursuant to any payment, prepayment or purchase of Notes pursuant to any provision of this Agreement and no Notes may be issued in substitution or exchange for any such Notes.

Section 8.6.Make-Whole Amount. The term "Make-Whole Amount" means, with respect to any Note, an amount equal to the excess, if any, of the Discounted Value of the Remaining Scheduled Payments with respect to the Called Principal of such Note over the amount of such Called Principal, provided that the Make-Whole Amount may in no event be less than zero. For the purposes of determining the Make-Whole Amount, the following terms have the following meanings:

"Called Principal" means, with respect to any Note, the principal of such Note that is to be prepaid pursuant to Section 8.2 or has become or is declared to be immediately due and payable pursuant to Section 12.1, as the context requires.

"Discounted Value" means, with respect to the Called Principal of any Note, the amount obtained by discounting all Remaining Scheduled Payments with respect to such Called Principal from their respective scheduled due dates to the Settlement Date with respect to such Called Principal, in accordance with accepted financial practice and at a discount factor (applied on the same periodic basis as that on which interest on the Notes is payable) equal to the Reinvestment Yield with respect to such Called Principal.

"Reinvestment Yield" means, with respect to the Called Principal of any Note, 0.50% over the yield to maturity implied by (i) the yields reported, as of 10:00 A.M. (New York City time) on the second Business Day preceding the Settlement Date with respect to such Called Principal, on the display designated as "Page 500" on the Telerate Access Service (or such other display as may replace Page 500 on the Telerate Access Service) for actively traded U.S. Treasury securities having a maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date, or (ii) if such yields are not reported as of such time or the yields reported as of such time are not ascertainable, the Treasury Constant Maturity Series Yields reported, for the latest day for which such yields have been so reported as of the second Business Day preceding the Settlement Date with respect to such Called Principal, in Federal Reserve Statistical Release H.15 (519) (or any comparable successor publication) for actively traded U.S. Treasury securities having a constant maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date. Such implied yield will be determined, if necessary, by (a) converting U.S. Treasury bill quotations to bond-equivalent yields in accordance with accepted financial practice and (b) interpolating linearly between (1) the actively traded U.S. Treasury security with the maturity closest to and greater than the Remaining Average Life and (2) the actively traded U.S. Treasury security with the maturity closest to and less than the Remaining Average Life.

"Remaining Average Life" means, with respect to any Called Principal, the number of years (calculated to the nearest one-twelfth year) obtained by dividing (i) such Called Principal into (ii) the sum of the products obtained by multiplying (a) the principal component of each Remaining Scheduled Payment with respect to such Called Principal by (b) the number of years (calculated to the nearest one-twelfth year) that will elapse between the Settlement Date with respect to such Called Principal and the scheduled due date of such Remaining Scheduled Payment.

"Remaining Scheduled Payments" means, with respect to the Called Principal of any Note, all payments of such Called Principal and interest thereon that would be due after the Settlement Date with respect to such Called Principal if no payment of such Called Principal were made prior to its scheduled due date, provided that if such Settlement Date is not a date on which interest payments are due to be made under the terms of the Notes, then the amount of the next succeeding scheduled interest payment will be reduced by the amount of interest accrued to such Settlement Date and required to be paid on such Settlement Date pursuant to Section 8.2 or 12.1.

"Settlement Date" means, with respect to the Called Principal of any Note, the date on which such Called Principal is to be prepaid pursuant to Section 8.2 or has become or is declared to be immediately due and payable pursuant to Section 12.1, as the context requires.

SECTION 9. AFFIRMATIVE COVENANTS.

The Company covenants that so long as any of the Notes are outstanding:

Section 9.1.Compliance with Law. The Company will, and will cause each of its Subsidiaries to, comply with all laws, ordinances or governmental rules or regulations to which each of them is subject, including, without limitation, Environmental Laws, and will obtain and maintain in effect all licenses,

certificates, permits, franchises and other governmental authorizations necessary to the ownership of their respective properties or to the conduct of their respective businesses, in each case to the extent necessary to ensure that non-compliance with such laws, ordinances or governmental rules or regulations or failures to obtain or maintain in effect such licenses, certificates, permits, franchises and other governmental authorizations could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

Section 9.2.Insurance. The Company will, and will cause each of its Restricted Subsidiaries to, maintain, with financially sound and reputable insurers, insurance with respect to their respective properties and businesses against such casualties and contingencies, of such types, on such terms and in such amounts (including deductibles, co-insurance and self-insurance, if adequate reserves are maintained with respect thereto) as is customary in the case of entities of established reputations engaged in the same or a similar business and similarly situated and consistent with the existing practice of the Company and its Restricted Subsidiaries as of the date hereof.

Section 9.3.Maintenance of Properties. The Company will, and will cause each of its Restricted Subsidiaries to, maintain and keep, or cause to be maintained and kept, their respective properties in good repair, working order and condition (other than ordinary wear and tear), so that the business carried on in connection therewith may be properly conducted at all times, provided that this Section shall not prevent the Company or any Restricted Subsidiary from discontinuing the operation and the maintenance of any of its properties if such discontinuance is desirable in the conduct of its business and the Company has concluded that such discontinuance could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

Section 9.4.Payment of Taxes. The Company will, and will cause each of its Subsidiaries to, file all tax returns required to be filed in any jurisdiction and to pay and discharge all taxes shown to be due and payable on such returns and all other taxes, assessments, governmental charges, or levies imposed on them or any of their properties, assets, income or franchises, to the extent such taxes and assessments have become due and payable and before they have become delinquent and all claims for which sums have become due and payable that have or might become a Lien on properties or assets of the Company or any Subsidiary, provided that neither the Company nor any Subsidiary need pay any such tax or assessment or claims if (i) the amount, applicability or validity thereof is contested by the Company or such Subsidiary on a timely basis in good faith and in appropriate proceedings, and the Company or a Subsidiary has established adequate reserves therefor in accordance with GAAP on the books of the Company or such Subsidiary or (ii) the nonpayment of all such taxes and assessments in the aggregate could not reasonably be expected to have a Material Adverse Effect.

Section 9.5.Partnership Existence, Etc. The Company will at all times preserve its existence and its status as a partnership and keep in full force and effect its partnership existence and its status as a partnership not taxable as a corporation for U.S. federal income tax purposes. Subject to Sections 10.7 and 10.8, the Company will at all times preserve and keep in full force and effect the corporate or partnership existence, as the case may be, of each of its Restricted Subsidiaries (unless merged into the Company or a Restricted Subsidiary) and all rights and franchises of the Company and its Restricted Subsidiaries unless, in the good faith judgment of the Company, the termination of or failure to preserve and keep in full force and effect such corporate or partnership existence, right or franchise could not, individually or in the aggregate, have a Material Adverse Effect.

Section 9.6.Ranking. The Company will ensure that, at all times, all liabilities of the Company under the Notes will rank in right of payment either pari passu or senior to all other Debt of the Company except for Debt which is preferred as a result of being secured as permitted by Section 10.4 (but then only to the extent of such security).

SECTION 10. NEGATIVE COVENANTS.

The Company covenants that so long as any of the Notes are outstanding:

Section 10.1.Incurrence of Debt. The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create, incur, assume, guarantee, or otherwise become directly or indirectly liable with respect to, any Debt, other than:

(a) Debt evidenced by the Notes;

(b) Debt of the Company and its Restricted Subsidiaries outstanding on the date of the Closing and disclosed in Schedule 5.15 (other than Debt of the Company under the Credit Agreement or under the MLP Note Guaranty referred to in Section 10.2), and any extensions, refundings, renewals and refinancings (collectively, a "Refinancing") thereof, provided that (i) the principal amount of the Debt resulting from such Refinancing shall not exceed the outstanding principal amount of such Debt being Refinanced, together with any accrued interest and premium with respect thereto and any and all costs and expenses related to such Refinancing, (ii) the maturity date of the Debt resulting from such Refinancing shall not be earlier than the maturity date of the Debt being Refinanced, (iii) the average life to maturity of the Debt resulting from such Refinancing shall not be less than the average life to maturity of the Debt being Refinanced and (iv) no Default or Event of Default exists at the time of such Refinancing;

(c) Debt of the Company and its Restricted Subsidiaries if on the date the Company or such Restricted Subsidiary becomes liable with respect to any such Debt and immediately after giving effect thereto and the concurrent retirement of any other Debt:

(i) no Default or Event of Default exists; and

(ii) any such Debt of a Restricted Subsidiary is permitted pursuant to Section 10.3; and

(iii) the ratio of Consolidated Cash Flow for the period of four consecutive fiscal quarters ending on, or most recently ended prior to, such date to Consolidated Interest Expense is not less than 2.25 to 1; and

(iv) the ratio of Consolidated Debt to Consolidated Cash Flow for the period of four consecutive fiscal quarters ending on, or most recently ended prior to, such date is not greater than 5.00 to 1;

(d) Debt of the Company and its Restricted Subsidiaries incurred under a Working Capital Facility if, on the date the Company or such Restricted Subsidiary becomes liable with respect to any such Debt and immediately after giving effect thereto and the concurrent retirement of any other such Debt, the Debt outstanding thereunder will not exceed Consolidated Cash Flow for the period of four consecutive fiscal quarters ending on, or most recently ended prior to, such date, provided that there shall have been during the immediately preceding four consecutive fiscal quarters a period of at least 30 consecutive days on each of which the Company and its Restricted Subsidiaries would have been permitted to (but did not) incur on such day under Section 10.1(c) (without reference to the condition stated in clause (i) thereof) Debt in the amount of the average daily balance of Debt outstanding under the Working Capital Facility for such 30-day period, provided further that any such Debt of a Restricted Subsidiary is permitted pursuant to Section 10.3;

(e) Subordinated Debt of the Company if on the date the Company becomes liable with respect to any such Subordinated Debt and immediately after giving effect thereto and the concurrent retirement of any other Debt, the aggregate amount of all outstanding Subordinated Debt of the Company shall not exceed $50,000,000;

(f) Debt of the Company and its Restricted Subsidiaries to a seller of assets or shares purchased by the Company or any Restricted Subsidiary if on the date the Company becomes liable with respect to any such Debt and immediately after giving effect thereto and the concurrent retirement of any other Debt, the aggregate amount of all outstanding Debt of the Company to all such sellers of assets or shares shall not exceed $60,000,000, provided that the agreement or instrument pursuant to which such Debt is incurred (i) contains no financial covenants more restrictive on the Company or its Restricted Subsidiaries than those contained in this Agreement and (ii) contains no events of default (other than in respect of payment of principal and interest on such Debt and in respect of the accuracy of representations and warranties made by the Company or its Restricted Subsidiaries thereunder) which are capable of occurring prior to the occurrence of any Event of Default, and provided, further, that any such Debt of a Restricted Subsidiary is permitted pursuant to Section 10.3; and

(g) Debt of the Company under the "Facility B Commitments" or the "Facility C Commitments" pursuant to the Credit Agreement if on the date the Company becomes liable with respect to any such Debt and immediately after giving effect thereto and the concurrent retirement of any other Debt, the incurrence of such Debt would be permitted under Section 10.1(c) and any Refinancing thereof, provided that (i) the principal amount of the Debt resulting from such Refinancing shall not exceed the outstanding principal amount of such Debt being Refinanced, together with any accrued interest and premium with respect thereto and any and all costs and expenses related to such Refinancing, (ii) the maturity date of the Debt resulting from such Refinancing shall not be earlier than the maturity date of the Debt being Refinanced, (iii) the average life to maturity of the Debt resulting from such Refinancing shall not be less than the average life to maturity of the Debt being Refinanced, and (iv) the other terms applicable to the Debt resulting from such Refinancing shall not be more onerous to the Company than the terms applicable to the Debt being Refinanced, provided further that the aggregate amount of all such Debt of the Company permitted by this clause (g) shall not exceed $75,000,000.

For the purposes of this Section 10.1, any Person becoming a Restricted Subsidiary after the date hereof shall be deemed, at the time it becomes a Restricted Subsidiary, to have incurred all of its then outstanding Debt, and any Person Refinancing any Debt shall be deemed to have incurred such Debt at the time of such Refinancing.

Section 10.2.Guaranty of MLP Notes. The Company will not permit the Guaranty executed in favor of the holders of the 9-3/8% Senior Secured Notes, due 2006 (the "MLP Senior Notes") issued by Ferrellgas Partners, L.P. (the "MLP Notes Guaranty") to become effective pursuant to the terms thereof as long as any obligations, indebtedness or otherwise, of the Company are outstanding under the Notes. Accordingly, the earliest date that the Subsidiary Guaranty Effectiveness Date (as defined in the Indenture pursuant to which the MLP Senior Notes were issued) can occur is 91 days following the indefeasible discharge in full of all of the obligations of the Company under the Notes and this Agreement.

Section 10.3.Restricted Subsidiary Debt. The Company will not at any time permit any Restricted Subsidiary to, directly or indirectly, create, incur, assume, guarantee, have outstanding, or otherwise become or remain directly or indirectly liable with respect to, any Debt other than:

(a) Debt of a Restricted Subsidiary permitted pursuant to

Section 10.1(b);

(b) Debt of a Restricted Subsidiary to the Company or a Wholly-Owned Restricted Subsidiary;

(c) secured Debt of a Restricted Subsidiary secured by Liens permitted by Section 10.4(h), and any Refinancing thereof, provided that (i) the principal amount of the Debt resulting from such Refinancing shall not exceed the outstanding principal amount of such Debt being Refinanced, together with any accrued interest and premium with respect thereto and any and all costs and expenses related to such Refinancing, (ii) the maturity date of the Debt resulting from such Refinancing shall not be earlier than the maturity date of the Debt being Refinanced, (iii) the average life to maturity of the Debt resulting from such Refinancing shall not be less than the average life to maturity of the Debt being Refinanced and (iv) no Default or Event of Default exists at the time of such Refinancing;

(d) Debt of a Restricted Subsidiary in addition to that otherwise permitted by the foregoing provisions of this Section 10.3, provided that on the date the Restricted Subsidiary incurs or otherwise becomes liable with respect to any such additional Debt and immediately after giving effect thereto and the concurrent retirement of any other Debt,

(i) no Default or Event of Default exists, and

(ii) Priority Debt does not exceed 12.5% of Consolidated Assets.

For the purposes of this Section 10.3, any Person becoming a Restricted Subsidiary after the date hereof shall be deemed, at the time it becomes a Restricted Subsidiary, to have incurred all of its then outstanding Debt, and any Person Refinancing any Debt shall be deemed to have incurred such Debt at the time of such Refinancing. Also for purposes of this Section 10.3, the Debt of any Restricted Subsidiary to any Wholly-Owned Restricted Subsidiary the shares of which are sold by the Company pursuant to Section 10.8(c)(1)(B) shall be deemed to have been incurred at the time of such sale.

Section 10.4.Liens. The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly create, incur, assume or permit to exist (upon the happening of a contingency or otherwise) any Lien on or with respect to any property or asset (including, without limitation, any document or instrument in respect of goods or accounts receivable) of the Company or any such Restricted Subsidiary, whether now owned or held or hereafter acquired, or any income or profits therefrom, or assign or otherwise convey any right to receive income or profits, except:

(a) Liens for property taxes, assessments or other governmental charges which are not yet due and payable;

(b) statutory Liens of landlords and Liens of carriers, warehousemen, mechanics, materialmen and other similar Liens, in each case, incurred in the ordinary course of business for sums not yet due and payable;

(c) Liens (other than any Lien imposed by ERISA) incurred or deposits made in the ordinary course of business (i) in connection with workers' compensation, unemployment insurance and other types of social security or retirement benefits, or (ii) to secure (or to obtain letters of credit that secure) the performance of tenders, statutory obligations, surety bonds, appeal bonds, bids, leases (other than Capital Leases), performance bonds, purchase, construction or sales contracts and other similar obligations, in each case not incurred or made in connection with the borrowing of money, the obtaining of advances or credit or the payment of the deferred purchase price of property;

(d) any attachment or judgment Lien, unless the judgment it secures shall not, within 60 days after the entry thereof, have been discharged or execution thereof stayed pending appeal, or shall not have been discharged within 60 days after the expiration of any such stay;

(e) leases or subleases granted to others, easements, rights-of-way, restrictions and other similar charges or encumbrances, in each case incidental to, and not interfering with, the ordinary conduct of the business of the Company or any of its Restricted Subsidiaries, provided that such Liens do not, in the aggregate, materially detract from the value of such property or impair the use of such property;

(f) Liens on property or assets of the Company or any of its Restricted Subsidiaries securing Debt owing to the Company or to a Wholly-Owned Restricted Subsidiary;

(g) Liens existing on the date of the Closing and securing the Debt of the Company and its Restricted Subsidiaries shown as having "Security" pledged on Schedule 5.15;

(h) any Lien created to secure all or any part of the purchase price, or to secure Debt incurred or assumed to pay all or any part of the purchase price or cost of construction, of property (or any improvement thereon) acquired or constructed by the Company or a Restricted Subsidiary after the date of the Closing, provided that

(i) any such Lien shall extend solely to the item or items of such property (or improvement thereon) so acquired

or constructed,

(ii) the principal amount of the Debt secured by any such Lien shall at no time exceed an amount equal to the lesser of (A) the cost to the Company or such Restricted Subsidiary of the property (or improvement thereon) so acquired or constructed and (B) the Fair Market Value (as determined in good faith by the board of directors of the General Partner) of such property (or improvement thereon) at the time of such acquisition or construction, and

(iii) any such Lien shall be created contemporaneously with, or within 270 days after, the acquisition or construction of such property;

(i) Liens on property or assets of any Restricted Subsidiary securing Indebtedness owing to the Company or to a Wholly-Owned Restricted Subsidiary;

(j) any Lien existing on property of a Person immediately prior to its being consolidated with or merged into the Company or a Restricted Subsidiary, or any Lien existing on any property acquired by the Company or any Restricted Subsidiary at the time such property is so acquired (whether or not the Debt secured thereby shall have been assumed), provided that (i) no such Lien shall have been created or assumed in contemplation of such consolidation or merger or such acquisition of property, and (ii) each such Lien shall extend solely to the item or items of property so acquired;

(k) Liens on personal property leased under leases (including synthetic leases) entered into by the Company which are accounted for as operating leases in accordance with GAAP;

(l) any Lien renewing, extending or refunding any Lien permitted by paragraphs (g), (h) or (j) of this Section 10.4, provided that (i) the principal amount of Debt secured by such Lien immediately prior to such extension, renewal or refunding is not increased or the maturity thereof reduced, (ii) such Lien is not extended to any other property, and (iii) immediately after such extension, renewal or refunding no Default or Event of Default would exist; and

(m) other Liens securing Debt not otherwise permitted by paragraphs (a) through (l), provided that on the date any such Lien is created, incurred or assumed and immediately after giving effect to the incurrence of any related Debt and the concurrent retirement of any other Debt, Priority Debt does not exceed 12.5% of Consolidated Assets.

For the purposes of this Section 10.4, any Person becoming a Restricted Subsidiary after the date of this Agreement shall be deemed to have incurred all of its then outstanding Liens at the time it becomes a Restricted Subsidiary, and any Person Refinancing any Debt secured by any Lien shall be deemed to have incurred such Lien at the time of such Refinancing.

Section 10.5.Restricted Payments.

(a) Limitation. The Company will not, and will not permit any of its Restricted Subsidiaries to, at any time, declare or make, or incur any liability to declare or make, any Restricted Payment provided that the Company may make one Restricted Payment in each fiscal quarter if:

(i) the amount of such Restricted Payment would not exceed the sum of

(A) Available Cash for the immediately preceding fiscal quarter, plus

(B) the lesser of (1) the amount of any Available Cash for the first 45 days of such fiscal quarter, and (2) the excess of the aggregate amount of Debt that the Company could have incurred under the Working Capital Facility pursuant to Section 10.1(d) over the actual amount of loans outstanding thereunder at the end of the immediately preceding fiscal quarter;

(ii) the ratio of Consolidated Cash Flow for the period of eight consecutive fiscal quarters ending on, or most recently ended prior to, such time to Consolidated Interest Expense for such period is greater than 2.0 to 1; and

(iii) no Default or Event of Default would exist;

provided, further, that the Company may declare or order, and make, pay or set apart a Restricted Payment out of the Restricted Payment Reserve if at such time (I) no Default or Event of Default exists, and (II) the ratio of Consolidated Cash Flow for the period of eight consecutive fiscal quarters ending on, or most recently ended prior to, such time to Consolidated Interest Expense for such period is greater than 1.25 to 1. For purposes of this Section 10.5, "Restricted Payment Reserve" means, as of the date of determination, the excess of the cumulative amount, if any, of Restricted Payment Contributions generated each prior fiscal year commencing with the fiscal year ended July 31, 1999 over the cumulative amount of all Restricted Payments previously made from the Restricted Payment Reserve, and "Restricted Payment Contribution" means an amount equal to the excess of (x) Consolidated Cash Flow for a fiscal year, over (y) the sum of (I) consolidated cash interest expense of the Company and its Restricted Subsidiaries during such fiscal year, plus (II) Maintenance Capital Expenditures incurred by the Company during such fiscal year, plus (III) the cumulative amount of Restricted Payments made during such fiscal year.

(b) Time of Payment. The Company will not, nor will it permit any of its Subsidiaries to, authorize a Restricted Payment that is not payable within 60 days of authorization.

Section 10.6.Restrictions on Dividends of Subsidiaries, Etc. The Company will not, and will not permit any of its Restricted Subsidiaries to, enter into any agreement which would restrict any Restricted Subsidiary's ability or right to pay dividends to, or make advances to or Investments in, the Company or, if such Restricted Subsidiary is not directly owned by the Company, the "parent" Subsidiary of such Restricted Subsidiary.

Section 10.7.Mergers and Consolidations. The Company will not, and will not permit any Restricted Subsidiary to, consolidate with or be a party to a merger with any other Person or convey, transfer or lease substantially all of its assets in a single transaction or series of transactions to any Person; provided, however, that:

(a) any Restricted Subsidiary may merge or consolidate with or into the Company or any Wholly-Owned Restricted Subsidiary so long as in any merger or consolidation involving the Company, the Company shall be the surviving or continuing corporation; and

(b) the Company may consolidate or merge with any other Person if (i) the surviving entity is a solvent partnership or corporation organized and existing under the laws of the United States of America or any State thereof, (ii) the surviving entity expressly assumes in writing the Company's obligations under the Notes and this Agreement, (iii) at the time of such consolidation or merger, and after giving effect thereto, no Default or Event of Default shall have occurred and be continuing, and (iv) the surviving entity would be permitted by the provisions of Section 10.1(c) hereof to incur at least $1.00 of additional Debt owing to a Person other than a Restricted Subsidiary of the surviving entity.

Section 10.8.Sale of Assets; Sale of Stock. (a) The Company will not, and will not permit any Restricted Subsidiary to, sell, lease, transfer, abandon or otherwise dispose of assets (except assets sold for fair market value (x) in the ordinary course of business or (y) in a Sale and Leaseback Transaction within 90 days following the acquisition or construction thereof); provided that the foregoing restrictions do not apply to:

(1) the sale, lease, transfer or other disposition of assets of a Restricted Subsidiary to the Company or a Wholly-Owned Restricted Subsidiary;

(2) the sale of assets for cash or other property to a Person or Persons if all of the following conditions are met:

(i) such assets (valued at net book value at the time of such sale) do not, together with all other assets of the Company and its Restricted Subsidiaries previously disposed of (valued at net book value at the time of such disposition) (other than in the ordinary course of business or in a Sale and Leaseback Transaction within 90 days following the acquisition or construction thereof) during the same fiscal year exceed 10% of Consolidated Assets (which Consolidated Assets shall be determined as of the last day of the fiscal year ending on, or most recently ended prior to, such sale); and

(ii) in the opinion of the board of directors of the General Partner, the sale is for Fair Market Value and is in the best interests of the Company.

provided, however, that for purposes of the foregoing calculation, there shall not be included any assets the proceeds of which were or are applied within 180 days of the date of sale of such assets to either (A) the acquisition of fixed assets useful and intended to be used in the operation of the business of the Company and its Restricted Subsidiaries within the limitations of Section 10.9 and having a Fair Market Value (as determined in good faith by the board of directors of the General Partner) at least equal to that of the assets so disposed of, or (B) the prepayment at any applicable prepayment premium, of Senior Debt selected by the Company of the Company or such Restricted Subsidiary that sold such assets. It is understood and agreed by the Company that any such proceeds paid and applied to the prepayment of the Notes as hereinabove provided shall be prepaid as and to the extent provided in Section 8.2.

(b) The Company will not permit any Restricted Subsidiary to issue or sell any shares of stock of any class (including as "stock" for the purposes of this Section 10.8, any warrants, rights or options to purchase or otherwise acquire stock or other Securities exchangeable for or convertible into stock) of such Restricted Subsidiary to any Person other than the Company or a Wholly-Owned Restricted Subsidiary, except for the purpose of qualifying directors, or except in satisfaction of the validly pre-existing preemptive rights of minority stockholders in connection with the simultaneous issuance of stock to the Company and/or a Restricted Subsidiary whereby the Company and/or such Restricted Subsidiary maintain their same proportionate interest in such Restricted Subsidiary.

(c) The Company will not sell, transfer or otherwise dispose of any shares of stock of any Restricted Subsidiary (except to qualify directors) or any Debt of any Restricted Subsidiary, and will not permit any Restricted Subsidiary to sell, transfer or otherwise dispose of (except to the Company or a Wholly-Owned Restricted Subsidiary) any shares of stock or any Debt of any other Restricted Subsidiary, unless:

(1) either

(A) in the case of such a sale, transfer or disposition of shares of stock or Debt, simultaneously with such sale, transfer, or disposition, all shares of stock and all Debt of such Restricted Subsidiary at the time owned by the Company and by every other Restricted Subsidiary shall be sold, transferred or disposed of as an entirety, and the Restricted Subsidiary being disposed of shall not have any continuing investment in the Company or any other Restricted Subsidiary not being simultaneously disposed of; or

(B) in the case of such a sale, transfer or disposition of shares of stock, at the time of such sale, transfer or disposition and after giving effect thereto, (i) no Default or Event of Default exists, and (ii) the minority interests in the Restricted Subsidiary the shares of which are being disposed of, after giving effect to such sale, transfer or disposition, would not exceed 20%;

(2) said shares of stock and Debt are sold, transferred or otherwise disposed of to a Person, for a cash consideration and on terms reasonably deemed by the board of directors of the General Partner to be adequate and satisfactory; and

(3) such sale or other disposition is permitted by Section 10.8(a).

Section 10.9.Nature of Business. Neither the Company nor any Restricted Subsidiary will engage in any business if, as a result thereof, the Company and its Restricted Subsidiaries would not be principally and predominantly engaged in the business of retail and wholesale propane sales and purchases of inventory, operation of related propane distribution networks and storage facilities and the acquisitions, operations and maintenance of such facilities.

Section 10.10.Transactions with Affiliates. The Company will not and will not permit any Restricted Subsidiary to enter into directly or indirectly any transaction or group of related transactions (including without limitation the purchase, lease, sale or exchange of properties of any kind or the rendering of any service) with any Affiliate, except in the ordinary course and pursuant to the reasonable requirements of the Company's or such Restricted Subsidiary's business and upon fair and reasonable terms no less favorable to the Company or such Restricted Subsidiary than would be obtainable in a comparable arm's-length transaction with a Person not an Affiliate.

Section 10.11.Certain Refinancings. Notwithstanding the provisions of Section 10.1 or 10.3, the Company will not, and will not permit any Restricted Subsidiary to, incur any Debt for the purpose of refinancing the Debt of Ferrellgas Partners, L.P., a Delaware limited partnership and the limited partner of the Company, or any other entity owning an equity interest in the Company, provided that the Company may incur Debt for the purpose of refinancing the Debt of Ferrellgas Partners, L.P. so long as it is a limited partner in the Company and so long as such incurrence is:

(a) otherwise permitted by the provisions of Section 10.1; and

(b) after giving effect to the issuance of such Debt and the concurrent issuance or retirement of any other Debt, no Default or Event of Default exists and either:

(i) either Fitch IBCA, Inc. shall have assigned a rating of at least BBB- to the Notes, or Standard & Poor's Ratings Group, a division of McGraw Hill, shall have assigned a rating of at least BBB- to the Notes or Moody's Investors Service, Inc. shall have assigned a rating of at least Baa3 to the Notes; or

(ii) (A) the ratio of Consolidated Cash Flow for the period of four consecutive fiscal quarters ending on, or most recently ended prior to, the date of issuance of such Debt to Consolidated Interest Expense is not less than 2.75 to 1; and (B) the ratio of Consolidated Debt to Consolidated Cash Flow for the period of four consecutive fiscal quarters ending on, or most recently ended prior to, such date is not greater than 4.50 to 1.

SECTION 11. EVENTS OF DEFAULT.

An "Event of Default" shall exist if any of the following conditions or events shall occur and be continuing:

(a) the Company defaults in the payment of any principal or Make-Whole Amount, if any, on any Note when the same becomes due and payable, whether at maturity or at a date fixed for prepayment or by declaration or otherwise; or

(b) the Company defaults in the payment of any interest on any Note for more than five Business Days after the same becomes due and payable; or

(c) the Company defaults in the performance of or compliance with any term contained in Section 7.1(d) or Section 10; or

(d) the Company defaults in the performance of or compliance with any term contained herein (other than those referred to in

paragraphs (a), (b) and (c) of this Section 11) and such default is not remedied within 30 days after the earlier of (i) a Responsible Officer obtaining actual knowledge of such default and (ii) the Company receiving written notice of such default from any holder of a Note (any such written notice to be identified as a "notice of default" and to refer specifically to this paragraph (d) of Section 11); or

(e) any representation or warranty made in writing by or on behalf of the Company or by any officer of the Company in this Agreement or in any writing furnished in connection with the transactions contemplated hereby proves to have been false or incorrect in any material respect on the date as of which made; or

(f) (i) the Company or any Restricted Subsidiary is in default (as principal or as guarantor or other surety) in the payment of any principal of or premium or make-whole amount or interest on any Indebtedness that is outstanding in an aggregate principal amount of at least $10,000,000 beyond any period of grace provided with respect thereto, or (ii) the Company or any Restricted Subsidiary is in default in the performance of or compliance with any term of any evidence of any Indebtedness in an aggregate outstanding principal amount of at least $10,000,000 or of any mortgage, indenture or other agreement relating thereto or any other condition exists, and as a consequence of such default or condition such Indebtedness has become, or has been declared (or one or more Persons are entitled to declare such Indebtedness to be), due and payable before its stated maturity or before its regularly scheduled dates of payment, or (iii) as a consequence of the occurrence or continuation of any event or condition (other than the passage of time or the right of the holder of Indebtedness to convert such Indebtedness into equity interests), (x) the Company or any Restricted Subsidiary has become obligated to purchase or repay Indebtedness before its regular maturity or before its regularly scheduled dates of payment in an aggregate outstanding principal amount of at least $10,000,000, or (y) one or more Persons have the right to require the Company or any Restricted Subsidiary so to purchase or repay such Indebtedness; or

(g) the Company, the General Partner or any Restricted Subsidiary (i) is generally not paying, or admits in writing its inability to pay, its debts as they become due, (ii) files, or consents by answer or otherwise to the filing against it of, a petition for relief or reorganization or arrangement or any other petition in bankruptcy, for liquidation or to take advantage of any bankruptcy, insolvency, reorganization, moratorium or other similar law of any jurisdiction, (iii) makes an assignment for the benefit of its creditors, (iv) consents to the appointment of a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, (v) is adjudicated as insolvent or to be liquidated, or (vi) takes action for the purpose of any of the foregoing; or

(h) a court or governmental authority of competent jurisdiction enters an order appointing, without consent by the Company, the General Partner or any Subsidiary of the Company, a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, or constituting an order for relief or approving a petition for relief or reorganization or any other petition in bankruptcy or for liquidation or to take advantage of any bankruptcy or insolvency law of any jurisdiction, or ordering the dissolution, winding-up or liquidation of the Company, the General Partner or any Subsidiary of the Company, or any such petition shall be filed against the Company, the General Partner or any Subsidiary of the Company and such petition shall not be dismissed or appointment discharged within 120 days; or

(i) a final judgment or judgments for the payment of money aggregating in excess of $10,000,000 are rendered against one or more of the Company and its Restricted Subsidiaries and which judgments are not, within 60 days after entry thereof, bonded, discharged or stayed pending appeal, or are not discharged within 60 days after the expiration of such stay; or

(j) If (i) any Plan shall fail to satisfy the minimum funding standards of ERISA or the Code for any plan year or part thereof or a waiver of such standards or extension of any amortization period is sought or granted under Section 412 of the Code, (ii) a notice of intent to terminate any Plan shall have been or is reasonably expected to be filed with the PBGC or the PBGC shall have instituted proceedings under Section 4042 of ERISA to terminate or appoint a trustee to administer any Plan or the PBGC shall have notified the Company or any ERISA Affiliate that a Plan may become a subject of any such proceedings, (iii) the aggregate "amount of unfunded benefit liabilities" (within the meaning of Section 4001(a)(18) of ERISA) under all Plans, determined in accordance with Title IV of ERISA, shall exceed $10,000,000, (iv) the Company or any ERISA Affiliate shall have incurred or is reasonably expected to incur any liability pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans, (v) the Company or any ERISA Affiliate withdraws from any Multiemployer Plan, or (vi) the Company or any Restricted Subsidiary establishes or amends any employee welfare benefit plan that provides post-employment welfare benefits in a manner that would increase the liability of the Company or any Restricted Subsidiary thereunder; and any such event or events described in clauses (i) through (vi) above, either individually or together with any other such event or events, could reasonably be expected to have a Material Adverse Effect.

As used in Section 11(j), the terms "employee benefit plan" and "employee

welfare benefit plan" shall have the respective meanings assigned to such terms in Section 3 of ERISA.

SECTION 12. REMEDIES ON DEFAULT, ETC.

Section 12.1.Acceleration. (a) If an Event of Default with respect to the Company or the General Partner described in paragraph (g) or (h) of Section 11 (other than an Event of Default described in clause (i) of paragraph (g) or described in clause (vi) of paragraph (g) by virtue of the fact that such clause encompasses clause (i) of paragraph (g)) has occurred, all the Notes then outstanding shall automatically become immediately due and payable.

(b) If any other Event of Default has occurred and is continuing, any holder or holders of more than 33-1/3% in principal amount of the Notes at the time outstanding may at any time at its or their option, by notice or notices to the Company, declare all the Notes then outstanding to be immediately due and payable.

(c) If any Event of Default described in paragraph (a) or (b) of Section 11 has occurred and is continuing, any holder or holders of Notes at the time outstanding affected by such Event of Default may at any time, at its or their option, by notice or notices to the Company, declare all the Notes held by it or them to be immediately due and payable.

Upon any Note's becoming due and payable under this Section 12.1, whether automatically or by declaration, such Note will forthwith mature and the entire unpaid principal amount of such Note, plus (i) all accrued and unpaid interest thereon and (ii) the Make-Whole Amount determined in respect of such principal amount (to the full extent permitted by applicable law), shall all be immediately due and payable, in each and every case without presentment, demand, protest or further notice, all of which are hereby waived. The Company acknowledges, and the parties hereto agree, that each holder of a Note has the right to maintain its investment in the Notes free from repayment by the Company (except as herein specifically provided for) and that the provision for payment of a Make-Whole Amount by the Company in the event that the Notes are prepaid or are accelerated as a result of an Event of Default, is intended to provide compensation for the deprivation of such right under such circumstances.

Section 12.2.Other Remedies. If any Default or Event of Default has occurred and is continuing, and irrespective of whether any Notes have become or have been declared immediately due and payable under Section 12.1, the holder of any Note at the time outstanding may proceed to protect and enforce the rights of such holder by an action at law, suit in equity or other appropriate proceeding, whether for the specific performance of any agreement contained herein or in any Note, or for an injunction against a violation of any of the terms hereof or thereof, or in aid of the exercise of any power granted hereby or thereby or by law or otherwise.

Section 12.3.Rescission. At any time after any Notes have been declared due and payable pursuant to clause (b) or (c) of Section 12.1, the holders of not less than 51% in principal amount of the Notes then outstanding, by written notice to the Company, may rescind and annul any such declaration and its consequences if (a) the Company has paid all overdue interest on the Notes, all principal of and Make-Whole Amount, if any, on any Notes that are due and payable and are unpaid other than by reason of such declaration, and all interest on such overdue principal and Make-Whole Amount, if any, and (to the extent permitted by applicable law) any overdue interest in respect of the Notes, at the Default Rate, (b) all Events of Default and Defaults, other than non-payment of amounts that have become due solely by reason of such declaration, have been cured or have been waived pursuant to Section 17, and (c) no judgment or decree has been entered for the payment of any monies due pursuant hereto or to the Notes. No rescission and annulment under this Section 12.3 will extend to or affect any subsequent Event of Default or Default or impair any right consequent thereon.

Section 12.4.No Waivers or Election of Remedies, Expenses, Etc. No course of dealing and no delay on the part of any holder of any Note in exercising any right, power or remedy shall operate as a waiver thereof or otherwise prejudice such holder's rights, powers or remedies. No right, power or remedy conferred by this Agreement or by any Note upon any holder thereof shall be exclusive of any other right, power or remedy referred to herein or therein or now or hereafter available at law, in equity, by statute or otherwise. Without limiting the obligations of the Company under Section 15, the Company will pay to the holder of each Note on demand such further amount as shall be sufficient to cover all costs and expenses of such holder incurred in any enforcement or collection under this Section 12, including, without limitation, reasonable attorneys' fees, expenses and disbursements.

SECTION 13. REGISTRATION; EXCHANGE; SUBSTITUTION OF NOTES.

Section 13.1.Registration of Notes. The Company shall keep at its principal executive office a register for the registration and registration of transfers of Notes. The name and address of each holder of one or more Notes, each transfer thereof and the name and address of each transferee of one or more Notes shall be registered in such register. Prior to due presentment for registration of transfer, the Person in whose name any Note shall be registered shall be deemed and treated as the owner and holder thereof for all purposes hereof, and the Company shall not be affected by any notice or knowledge to the contrary. The Company shall give to any holder of a Note that is an Institutional Investor promptly upon request therefor, a complete and correct copy of the names and addresses of all registered holders of Notes of each series.

Section 13.2.Transfer and Exchange of Notes. Upon surrender of any Note at the principal executive office of the Company for registration of transfer or exchange (and in the case of a surrender for registration of transfer, duly endorsed or accompanied by a written instrument of transfer duly executed by the

registered holder of such Note or its attorney duly authorized in writing and accompanied by the address for notices of each transferee of such Note or part thereof), the Company shall execute and deliver, at the Company's expense (except as provided below), one or more new Notes (as requested by the holder thereof) of the same series in exchange therefor, in an aggregate principal amount equal to the unpaid principal amount of the surrendered Note. Each such new Note shall be payable to such Person as such holder may request and shall be substantially in the form of the series of Notes being surrendered as set forth in Exhibit 1-A, 1-B, 1-C, 1-D or 1-E, as the case may be. Each such new Note shall be dated and bear interest from the date to which interest shall have been paid on the surrendered Note or dated the date of the surrendered Note if no interest shall have been paid thereon. The Company may require payment of a sum sufficient to cover any stamp tax or governmental charge imposed in respect of any such transfer of Notes. Notes shall not be transferred in denominations of less than $100,000, provided that if necessary to enable the registration of transfer by a holder of its entire holding of Notes, one Note may be in a denomination of less than $100,000. Any transferee, by its acceptance of a Note registered in its name (or the name of its nominee), shall be deemed to have made the representation set forth in Section 6.2.

Section 13.3.Replacement of Notes. Upon receipt by the Company of evidence reasonably satisfactory to it of the ownership of and the loss, theft, destruction or mutilation of any Note (which evidence shall be, in the case of an Institutional Investor, notice from such Institutional Investor of such ownership and such loss, theft, destruction or mutilation), and

(a) in the case of loss, theft or destruction, of indemnity reasonably satisfactory to it (provided that if the holder of such Note is, or is a nominee for, an original Purchaser or another holder of a Note with a minimum net worth of at least $50,000,000, such Person's own unsecured agreement of indemnity shall be deemed to be satisfactory), or

(b) in the case of mutilation, upon surrender and cancellation thereof,

the Company at its own expense shall execute and deliver, in lieu thereof, a new Note of the same series as such lost, stolen, destroyed or mutilated Note, dated and bearing interest from the date to which interest shall have been paid on such lost, stolen, destroyed or mutilated Note or dated the date of such lost, stolen, destroyed or mutilated Note if no interest shall have been paid thereon.

SECTION 14. PAYMENTS ON NOTES.

Section 14.1.Place of Payment. Subject to Section 14.2, payments of principal, Make-Whole Amount, if any, and interest becoming due and payable on the Notes shall be made in Liberty, Missouri at the principal office of the Company in such jurisdiction. The Company may at any time, by notice to each holder of a Note, change the place of payment of the Notes so long as such place of payment shall be either the principal office of the Company in such jurisdiction or the principal office of a bank or trust company in such jurisdiction.

Section 14.2.Home Office Payment. So long as any Purchaser or such Purchaser's nominee shall be the holder of any Note, and notwithstanding anything contained in Section 14.1 or in such Note to the contrary, the Company will pay all sums becoming due on such Note for principal, Make-Whole Amount, if any, and interest by the method and at the address specified for such purpose for such Purchaser on Schedule A, or by such other method or at such other address as such Purchaser shall have from time to time specified to the Company in writing for such purpose, without the presentation or surrender of such Note or the making of any notation thereon, except that upon written request of the Company made concurrently with or reasonably promptly after payment or prepayment in full of any Note, such Purchaser shall surrender such Note for cancellation, reasonably promptly after any such request, to the Company at its principal executive office or at the place of payment most recently designated by the Company pursuant to Section 14.1. Prior to any sale or other disposition of any Note held by any Purchaser or such Purchaser's nominee such Purchaser will, at its election, either endorse thereon the amount of principal paid thereon and the last date to which interest has been paid thereon or surrender such Note to the Company in exchange for a new Note or Notes pursuant to Section 13.2. The Company will afford the benefits of this Section 14.2 to any Institutional Investor that is the direct or indirect transferee of any Note purchased by any Purchaser under this Agreement and that has made the same agreement relating to such Note as such Purchaser has made in this Section 14.2.

SECTION 15. EXPENSES, ETC.

Section 15.1.Transaction Expenses. Whether or not the transactions contemplated hereby are consummated, the Company will pay all costs and expenses (including reasonable attorneys' fees of a special counsel and, if reasonably required, local or other counsel) incurred by each Purchaser or holder of a Note in connection with such transactions and in connection with any amendments, waivers or consents under or in respect of this Agreement or the Notes (whether or not such amendment, waiver or consent becomes effective), including, without limitation: (a) the costs and expenses incurred in enforcing or defending (or determining whether or how to enforce or defend) any rights under this Agreement or the Notes or in responding to any subpoena or other legal process or informal investigative demand issued in connection with this Agreement or the Notes, or by reason of being a holder of any Note, and (b) the costs and expenses, including financial advisors' fees, incurred in connection with the insolvency or bankruptcy of the Company or any Subsidiary or in connection with any work-out or restructuring of the transactions contemplated hereby and by the Notes. The Company will pay, and will save each Purchaser and each other holder of a Note harmless from, all claims in respect of any fees, costs or expenses if any, of brokers and finders (other than those retained by such Purchaser or holder).

Section 15.2.Survival. The obligations of the Company under this Section 15 will survive the payment or transfer of any Note, the enforcement, amendment or waiver of any provision of this Agreement or the Notes, and the termination of this Agreement.

SECTION 16. SURVIVAL OF REPRESENTATIONS AND WARRANTIES; ENTIRE AGREEMENT.

All representations and warranties contained herein shall survive the execution and delivery of this Agreement and the Notes, the purchase or transfer by any Purchaser of any Note or portion thereof or interest therein and the payment of any Note, and may be relied upon by any subsequent holder of a Note, regardless of any investigation made at any time by or on behalf of such Purchaser or any other holder of a Note. All statements contained in any certificate or other instrument delivered by or on behalf of the Company pursuant to this Agreement shall be deemed representations and warranties of the Company under this Agreement. Subject to the preceding sentence, this Agreement and the Notes embody the entire agreement and understanding between each Purchaser and the Company and supersede all prior agreements and understandings relating to the subject matter hereof.

SECTION 17. AMENDMENT AND WAIVER.

Section 17.1.Requirements. This Agreement and the Notes may be amended, and the observance of any term hereof or of the Notes may be waived (either retroactively or prospectively), with (and only with) the written consent of the Company and the Required Holders, except that (a) no amendment or waiver of any of the provisions of Section 1, 2, 3, 4, 5, 6 or 21 hereof, or any defined term (as it is used therein), will be effective as to any Purchaser unless consented to by such Purchaser in writing, and (b) no such amendment or waiver may, without the written consent of the holder of each Note at the time outstanding affected thereby, (i) subject to the provisions of Section 12 relating to acceleration or rescission, change the amount or time of any prepayment or payment of principal of, or reduce the rate or change the time of payment or method of computation of interest or of the Make-Whole Amount on, the Notes, (ii) change the percentage of the principal amount of the Notes the holders of which are required to consent to any such amendment or waiver, or (iii) amend any of Sections 8, 11(a), 11(b), 12, 17 or 20.

Section 17.2.Solicitation of Holders of Notes.

(a) Solicitation. The Company will provide each holder of the Notes (irrespective of the amount of Notes then owned by it) with sufficient information, sufficiently far in advance of the date a decision is required, to enable such holder to make an informed and considered decision with respect to any proposed amendment, waiver or consent in respect of any of the provisions hereof or of the Notes. The Company will deliver executed or true and correct copies of each amendment, waiver or consent effected pursuant to the provisions of this Section 17 to each holder of outstanding Notes promptly following the date on which it is executed and delivered by, or receives the consent or approval of, the requisite holders of Notes.

(b) Payment. The Company will not directly or indirectly pay or cause to be paid any remuneration, whether by way of supplemental or additional interest, fee or otherwise, or grant any security, to any holder of Notes as consideration for or as an inducement to the entering into by any holder of Notes of any waiver or amendment of any of the terms and provisions hereof or of the Notes unless such remuneration is concurrently paid, or security is concurrently granted, on the same terms, ratably to each holder of Notes then outstanding even if such holder did not consent to such waiver or amendment.

Section 17.3.Binding Effect, Etc. Any amendment or waiver consented to as provided in this Section 17 applies equally to all holders of Notes and is binding upon them and upon each future holder of any Note and upon the Company without regard to whether such Note has been marked to indicate such amendment or waiver. No such amendment or waiver will extend to or affect any obligation, covenant, agreement, Default or Event of Default not expressly amended or waived or impair any right consequent thereon. No course of dealing between the Company and the holder of any Note nor any delay in exercising any rights hereunder or under any Note shall operate as a waiver of any rights of any holder of such Note. As used herein, the term "this Agreement" and references thereto shall mean this Agreement as it may from time to time be amended or supplemented.

Section 17.4.Notes Held by Company, Etc. Solely for the purpose of determining whether the holders of the requisite percentage of the aggregate principal amount of Notes then outstanding approved or consented to any amendment, waiver or consent to be given under this Agreement or the Notes, or have directed the taking of any action provided herein or in the Notes to be taken upon the direction of the holders of a specified percentage of the aggregate principal amount of Notes then outstanding, Notes directly or indirectly owned by the Company or any of its Affiliates shall be deemed not to be outstanding.

SECTION 18. NOTICES.

All notices and communications provided for hereunder shall be in writing and sent (a) by telefacsimile if the sender on the same day sends a confirming copy of such notice by a recognized overnight delivery service (charges prepaid), or (b) by registered or certified mail with return receipt requested (postage prepaid), or (c) by a recognized overnight delivery service (with charges prepaid). Any such notice must be sent:

(i) if to a Purchaser or such Purchaser's nominee, to such Purchaser or such Purchaser's nominee at the address specified for such communications for such Purchaser signature on Schedule A, or at such other address as such Purchaser or such Purchaser's nominee shall have

specified to the Company in writing,

(ii) if to any other holder of any Note, to such holder at such address as such other holder shall have specified to the Company in writing, or

(iii) if to the Company, to the Company at its address set forth at the beginning hereof to the attention of the Assistant Treasurer, or at such other address as the Company shall have specified to the holder of each Note in writing.

Notices under this Section 18 will be deemed given only when actually received.

SECTION 19. REPRODUCTION OF DOCUMENTS.

This Agreement and all documents relating thereto, including, without limitation, (a) consents, waivers and modifications that may hereafter be executed, (b) documents received by each Purchaser at the Closing (except the Notes themselves), and (c) financial statements, certificates and other information previously or hereafter furnished to each Purchaser, may be reproduced by such Purchaser by any photographic, photostatic, microfilm, microcard, miniature photographic or other similar process and such Purchaser may destroy any original document so reproduced. The Company agrees and stipulates that, to the extent permitted by applicable law, any such reproduction shall be admissible in evidence as the original itself in any judicial or administrative proceeding (whether or not the original is in existence and whether or not such reproduction was made by such Purchaser in the regular course of business) and any enlargement, facsimile or further reproduction of such reproduction shall likewise be admissible in evidence. This Section 19 shall not prohibit the Company or any other holder of Notes from contesting any such reproduction to the same extent that it could contest the original, or from introducing evidence to demonstrate the inaccuracy of any such reproduction.

SECTION 20. CONFIDENTIAL INFORMATION.

For the purposes of this Section 20, "Confidential Information" means information delivered to any Purchaser by or on behalf of the Company or any Subsidiary in connection with the transactions contemplated by or otherwise pursuant to this Agreement that is proprietary in nature and that was clearly marked or labeled or otherwise adequately identified in writing when received by such Purchaser as being confidential information of the Company or such Subsidiary, provided that such term does not include information that (a) was publicly known or otherwise known to such Purchaser prior to the time of such disclosure, (b) subsequently becomes publicly known through no act or omission by such Purchaser or any Person acting on such Purchaser's behalf, (c) otherwise becomes known to such Purchaser other than through disclosure by the Company or any Subsidiary or (d) constitutes financial statements delivered to such Purchaser under Section 7.1 that are otherwise publicly available. Each Purchaser will maintain the confidentiality of such Confidential Information in accordance with procedures adopted by such Purchaser in good faith to protect confidential information of third parties delivered to such Purchaser, provided that such Purchaser may deliver or disclose Confidential Information to (i) such Purchaser's directors, trustees, officers, employees, agents, attorneys and affiliates (to the extent such disclosure reasonably relates to the administration of the investment represented by such Purchaser's Notes), (ii) such Purchaser's financial advisors and other professional advisors who agree to hold confidential the Confidential Information substantially in accordance with the terms of this Section 20, (iii) any other holder of any Note, (iv) any Institutional Investor to which such Purchaser sells or offers to sell such Note or any part thereof or any participation therein (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by the provisions of this Section 20), (v) any Person from which such Purchaser offers to purchase any security of the Company (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by the provisions of this Section 20), (vi) any federal or state regulatory authority having jurisdiction over such Purchaser, (vii) the National Association of Insurance Commissioners or any similar organization, or any nationally recognized rating agency that requires access to information about such Purchaser's investment portfolio, or (viii) any other Person to which such delivery or disclosure may be necessary or appropriate (w) to effect compliance with any law, Rule, regulation or order applicable to such Purchaser, (x) in response to any subpoena or other legal process, (y) in connection with any litigation to which such Purchaser is a party or (z) if an Event of Default has occurred and is continuing, to the extent such Purchaser may reasonably determine such delivery and disclosure to be necessary or appropriate in the enforcement or for the protection of the rights and remedies under such Purchaser's Notes and this Agreement. Each holder of a Note, by its acceptance of a Note, will be deemed to have agreed to be bound by and to be entitled to the benefits of this Section 20 as though it were a party to this Agreement. On reasonable request by the Company in connection with the delivery to any holder of a Note of information required to be delivered to such holder under this Agreement or requested by such holder (other than a holder that is a party to this Agreement or its nominee), such holder will enter into an agreement with the Company embodying the provisions of this Section 20.

SECTION 21. SUBSTITUTION OF PURCHASER.

Each Purchaser shall have the right to substitute any one of such Purchaser's Affiliates as the purchaser of the Notes that such Purchaser has agreed to purchase hereunder, by written notice to the Company, which notice shall be signed by both such Purchaser and such Purchaser's Affiliate, shall contain such Affiliate's agreement to be bound by this Agreement and shall contain a confirmation by such Affiliate of the accuracy with respect to it of the representations set forth in Section 6. Upon receipt of such notice,

wherever the word "Purchaser" is used in this Agreement (other than in this Section 21), such word shall be deemed to refer to such Affiliate in lieu of such Purchaser. In the event that such Affiliate is so substituted as a purchaser hereunder and such Affiliate thereafter transfers to such Purchaser all of the Notes then held by such Affiliate, upon receipt by the Company of notice of such transfer, wherever the word "Purchaser" is used in this Agreement (other than in this Section 21), such word shall no longer be deemed to refer to such Affiliate, but shall refer to such Purchaser, and such Purchaser shall have all the rights of an original holder of the Notes under this Agreement.

SECTION 22. MISCELLANEOUS.

Section 22.1.Successors and Assigns. All covenants and other agreements contained in this Agreement by or on behalf of any of the parties hereto bind and inure to the benefit of their respective successors and assigns (including, without limitation, any subsequent holder of a Note) whether so expressed or not.

Section 22.2.Payments Due on Non-Business Days. Anything in this Agreement or the Notes to the contrary notwithstanding, any payment of principal of or Make-Whole Amount or interest on any Note that is due on a date other than a Business Day shall be made on the next succeeding Business Day without including the additional days elapsed in the computation of the interest payable on such next succeeding Business Day.

Section 22.3.Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall (to the full extent permitted by law) not invalidate or render unenforceable such provision in any other jurisdiction.

Section 22.4.Construction. Each covenant contained herein shall be construed (absent express provision to the contrary) as being independent of each other covenant contained herein, so that compliance with any one covenant shall not (absent such an express contrary provision) be deemed to excuse compliance with any other covenant. Where any provision herein refers to action to be taken by any Person, or which such Person is prohibited from taking, such provision shall be applicable whether such action is taken directly or indirectly by such Person.

Section 22.5.Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original but all of which together shall constitute one instrument. Each counterpart may consist of a number of copies hereof, each signed by less than all, but together signed by all, of the parties hereto.

Section 22.6.Governing Law. This Agreement shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the law of the State of Illinois excluding choice-of-law principles of the law of such State that would require the application of the laws of a jurisdiction other than such State.

* * * * *

The execution hereof by the Purchasers shall constitute a contract among the Company and the Purchasers for the uses and purposes hereinabove set forth. This Agreement may be executed in any number of counterparts, each executed counterpart constituting an original but all together only one agreement.

Very truly yours,

FERRELLGAS, L.P.

By Ferrellgas, Inc., its general partner

By_____
Its_____

SCHEDULE B
(to Note Purchase Agreement)
DEFINED TERMS

GENERAL PROVISIONS

Where the character or amount of any asset or liability or item of income or expense is required to be determined or any consolidation or other accounting computation is required to be made for the purposes of this Agreement, the same shall be done in accordance with GAAP, to the extent applicable, except where such principles are inconsistent with the express requirements of this Agreement.

DEFINITIONS

As used herein, the following terms have the respective meanings set forth below or set forth in the Section hereof following such term:

"Affiliate" means, at any time, and with respect to any Person, (a) any other Person that at such time directly or indirectly through one or more intermediaries Controls, or is Controlled by, or is under common Control with, such first Person, (b) any Person beneficially owning or holding, directly or indirectly, 10% or more of any class of voting or equity interests of such first Person or any subsidiary of such first Person or any corporation of which such first Person and the subsidiaries of such first Person beneficially own or hold, in the aggregate, directly or indirectly, 10% or more of any class of voting or equity interests, and (c) any officer or director of such first Person. As used in this definition, "Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise. Unless the context otherwise clearly requires, any reference to an "Affiliate" is a reference to an Affiliate (other than a Restricted Subsidiary) of the Company.

"Asset Acquisition" means (a) an Investment by the Company or any Restricted Subsidiary in any other Person pursuant to which such Person shall become a Restricted Subsidiary or shall be merged with or into the Company or any Restricted Subsidiary, (b) the acquisition by the Company or any Restricted Subsidiary of the assets of any Person (other than a Restricted Subsidiary) which constitutes all or substantially all of the assets of such Person or (c) the acquisition by the Company or any Restricted Subsidiary of any division or line of business of any Person (other than a Restricted Subsidiary).

"Asset Sale" means any Transfer except:

(a) any

(i) Transfer from a Restricted Subsidiary to the Company or a Wholly-Owned Restricted Subsidiary;

(ii) Transfer from the Company to a Wholly-Owned Restricted Subsidiary; and

(iii) Transfer from the Company to a Restricted Subsidiary (other than a Wholly-Owned Restricted Subsidiary) or from a Restricted Subsidiary to another Restricted Subsidiary (other than a Wholly-Owned Restricted Subsidiary), which in either case is for Fair Market Value,

so long as immediately before and immediately after the consummation of any such Transfer and after giving effect thereto, no Default or Event of Default exists; and

(b) any Transfer made in the ordinary course of business and involving only property that is inventory held for sale.

"Available Cash" means with respect to any period and without duplication:

(a) the sum of:

(i) all cash receipts of the Company during such period from all sources (including, without limitation, distributions of cash received by the Company from a Subsidiary and borrowings made under the Working Capital Facility); and

(ii) any reduction with respect to such period in a cash reserve previously established pursuant to clause (b) (ii) below (either by reversal or utilization) from the level of such reserve at the end of the prior period;

(b) less the sum of:

(i) all cash disbursements of the Company during such period including, without limitation, disbursements for operating expenses, taxes, if any, debt service (including, without limitation, the payment of principal, premium and interest), redemption of Partnership Interests, capital expenditures, contributions, if any, to a Subsidiary and cash

distributions to the General Partner and the Limited Partners (but only to the extent that such cash distributions to the General Partner and the Limited Partners exceed Available Cash for the immediately preceding fiscal quarter); and

(ii) any cash reserves established with respect to such period, and any increase with respect to such period in a cash reserve previously established pursuant to this clause (b) (ii) from the level of such reserve at the end of the prior period, in such amounts as the General Partner determines in its reasonable discretion to be necessary or appropriate (A) to provide for the proper conduct of the business of the Company (including, without limitation, reserves for future capital expenditures or capital contributions to a Subsidiary) or (B) to provide funds for distributions to the General Partner and the Limited Partners in respect of any one or more of the next four fiscal quarters or (C) because the distribution of such amounts would be prohibited by applicable law or by any loan agreement, security agreement, mortgage, debt instrument or other agreement or obligation to which the Company is a party or by which it is bound or its assets are subject.

Notwithstanding the foregoing (x) disbursements (including, without limitation, contributions to a Subsidiary or disbursements on behalf of a Subsidiary) made or reserves established, increased or reduced after the end of any fiscal quarter but on or before the date on which the Company makes its distribution of Available Cash in respect of such fiscal quarter pursuant to Section 5.3(a) shall be deemed to have been made, established, increased or reduced, for purposes of determining Available Cash, with respect to such fiscal quarter if the General Partner so determines and (y) "Available Cash" with respect to any period shall not include any cash receipts or reductions in reserves or take into account any disbursements made or reserves established after the Liquidation Date.

For purposes of the definition of "Available Cash" the following terms have the following meanings:

"Additional Limited Partner" means a Person admitted to the Company as a Limited Partner pursuant to Section 11.6 of the Partnership Agreement and who is shown as such on the books and records of the Company,

"Departing Partner" means a former General Partner, from and after the effective date of any withdrawal or removal of such former General Partner pursuant to Section 12.1 or Section 12.2 of the Partnership Agreement.

"Initial Limited Partner means Ferrellgas Partners, L.P., a Delaware limited partnership.

"Limited Partner" means the Initial Limited Partner, the General Partner pursuant to Section 4.2 of the Partnership Agreement, each Substituted Limited Partner, if any, each Additional Limited Partner and any Departing Partner upon the change of its status from General Partner to Limited Partner pursuant to Section 12.3 of the Partnership Agreement, but excluding any such Person from and after the time it withdraws from the Company.

"Liquidation Date" means (a) in the case of an event giving rise to the dissolution of the Company of the type described in clauses (a) and (b) of the first sentence of Section 13.2 of the Partnership Agreement, the date on which the applicable time period during which the General Partner and the Limited Partners have the right to elect to reconstitute the Company and continue its business has expired without such an election being made, and (b) in the case of any other event giving rise to the dissolution of the Company, the date on which such event occurs.

"Partnership Agreement" means the Agreement of Limited Partnership of Ferrellgas, L.P. dated as of July 5, 1995 among the General Partner and the Initial Limited Partner.

"Partnership Interest" means the interest of the General Partner or a Limited Partner in the Company.

"Substituted Limited Partner" means a Person who is admitted as a Limited Partner to the Company pursuant to Section 11.3 of the Partnership Agreement in place of and with all the rights of a Limited Partner and who is shown as a Limited Partner on the books and records of the Company.

"Business Day" means (a) for the purposes of Section 8.6 only, any day other than a Saturday, a Sunday or a day on which commercial banks in New York City are required or authorized to be closed, and (b) for the purposes of any other provision of this Agreement, any day other than a Saturday, a Sunday or a day on which commercial banks in San Francisco, California, Chicago, Illinois or Kansas City, Missouri are required or authorized to be closed.

"Capital Lease" means, at any time, a lease with respect to which the lessee is required concurrently to recognize the acquisition of an asset and the incurrence of a liability in accordance with GAAP.

"Capital Lease Obligation" means, with respect to any Person and a Capital Lease, the amount of the obligation of such Person as the lessee under such Capital Lease which would, in accordance with GAAP, appear as a liability on a balance sheet of such Person.

"Closing" is defined in Section 3.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, and the rules and regulations promulgated thereunder from time to time.

"Company" means Ferrellgas, L.P., Delaware limited partnership.

"Confidential Information" is defined in Section 20.

"Consolidated Assets" means, at any time, the total assets of the Company and its Restricted Subsidiaries which would be shown as assets on a consolidated balance sheet of the Company and its Restricted Subsidiaries as of such time prepared in accordance with GAAP, after eliminating all amounts properly attributable to minority interests, if any, in the stock and surplus of Restricted Subsidiaries.

"Consolidated Cash Flow" means, in respect of any period, the excess, if any, of (a) the sum of, without duplication, the amounts for such period, taken as a single accounting period, of (i) Consolidated Net Income for such period, plus (ii) to the extent deducted in the determination of Consolidated Net Income for such period, after excluding amounts attributable to minority interests in Subsidiaries and without duplication, (A) Consolidated Non-Cash Charges, (B) Consolidated Interest Expense and (C) Consolidated Income Tax Expense, over (b) any non-cash items increasing Consolidated Net Income for such period to the extent that such items constitute reversals of Consolidated Non-Cash Charges for a previous period and which were included in the computation of Consolidated Cash Flow for such previous period pursuant to the provisions of the preceding clause (a), provided that in calculating Consolidated Cash Flow for any such period, (1) Consolidated Cash Flow shall be calculated after giving effect on a pro forma basis for such period, in all respects in accordance with GAAP, to any Asset Acquisitions (including, without limitation any Asset Acquisition by the Company or any Restricted Subsidiary giving rise to the need to determine Consolidated Cash Flow as a result of the Company or one of its Restricted Subsidiaries (including any Person that becomes a Restricted Subsidiary as result of any such Asset Acquisition) incurring, assuming or otherwise becoming liable for any Debt) occurring during the period commencing on the first day of such period to and including the date of such determination, as if such Asset Acquisition occurred on the first day of such period and (2) Consolidated Cash Flow attributable to any assets or property subject to an Asset Sale by the Company or any Restricted Subsidiary on or prior to the date of such determination shall be deemed to be zero for such period.

"Consolidated Debt" means, as of any date of determination, the total of all Debt of the Company and its Restricted Subsidiaries outstanding on such date, after eliminating all offsetting debits and credits between the Company and its Restricted Subsidiaries and all other items required to be eliminated in the course of the preparation of consolidated financial statements of the Company and its Restricted Subsidiaries in accordance with GAAP.

"Consolidated Income Tax Expense" means, with respect to any period, all provisions for Federal, state, local and foreign income taxes of the Company and its Restricted Subsidiaries for such period as determined on a consolidated basis in accordance with GAAP.

"Consolidated Interest Expense" means, with respect to any period, the sum (without duplication) of the following (in each case, eliminating all offsetting debits and credits between the Company and its Restricted Subsidiaries and all other items required to be eliminated in the course of the preparation of consolidated financial statements of the Company and its Restricted Subsidiaries in accordance with GAAP): (a) all interest in respect of Debt of the Company and its Restricted Subsidiaries whether earned or accrued (including non-cash interest payments and imputed interest on Capital Lease Obligations) deducted in determining Consolidated Net Income for such period, and (b) all debt discount and expense amortized or required to be amortized in the determination of Consolidated Net Income for such period, provided that for purposes of making any computation pursuant to Section 10.1(c)(iii) and Section 10.11 (including any calculation of Consolidated Cash Flow relating thereto), Consolidated Interest Expense shall be determined on a pro forma basis giving effect to the incurrence of Debt (and the application of proceeds thereof) which is the subject of such computation as if such Debt had been incurred (and the proceeds thereof applied) on the first day of such period.

"Consolidated Net Income" means, with reference to any period, the net income (or loss) of the Company and its Restricted Subsidiaries for such period (taken as a cumulative whole), as determined in accordance with GAAP, after eliminating all offsetting debits and credits between the Company and its Restricted Subsidiaries and all other items required to be eliminated in the course of the preparation of consolidated financial statements of the Company and its Restricted Subsidiaries in accordance with GAAP, provided that there shall be excluded:

(a) the income (or loss) of any Person accrued prior to the date it becomes a Subsidiary or is merged into or consolidated with the Company or a Subsidiary, and the income (or loss) of any Person, substantially all of the assets of which have been acquired in any manner, realized by such other Person prior to the date of acquisition,

(b) the income (or loss) of any Person (other than a Subsidiary) in which the Company or any Subsidiary has an ownership interest, except to the extent that any such income has been actually received by the Company or such Subsidiary in the form of cash dividends or similar cash distributions,

(c) the undistributed earnings of any Restricted Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Restricted Subsidiary is not at the time permitted by the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation

applicable to such Restricted Subsidiary,

(d) any aggregate net gain or loss during such period arising from the sale, conversion, exchange or other disposition of capital assets (such term to include, without limitation, (i) all non-current assets and, without duplication, and (ii) the following, whether or not current: all fixed assets, whether tangible or intangible, all inventory sold in conjunction with the disposition of fixed assets, and all Securities), and

(e) any net income or gain or loss during such period from (i) any change in accounting principles in accordance with GAAP, (ii) any prior period adjustments resulting from any change in accounting principles in accordance with GAAP, or (iii) any extraordinary items.

"Consolidated Non-Cash Charges" means, with respect to any period, the aggregate depreciation and amortization (other than amortization of debt discount), and any non-cash employee compensation expenses for such period, in each case, reducing Consolidated Net Income of the Company and its Restricted Subsidiaries for such period as determined on a consolidated basis in accordance with GAAP.

"Credit Agreement" means the Second Amended and Restated Credit Agreement dated July 2, 1998, between the Company and the banks named therein, as the same may be amended and supplemented from time to time.

"Debt" means, with respect to any Person, without duplication,

(a) its liabilities for borrowed money;

(b) its liabilities for the deferred purchase price of property acquired by such Person (excluding accounts payable arising in the ordinary course of business but including, without limitation, all liabilities created or arising under any conditional sale or other title retention agreement with respect to any such property);

(c) its Capital Lease Obligations;

(d) all liabilities for borrowed money secured by any Lien with respect to any property owned by such Person (whether or not it has assumed or otherwise become liable for such liabilities); and

(e) any Guaranty of such Person with respect to liabilities of a type described in any of clauses (a) through (d) hereof.

Debt of any Person shall include all obligations of such Person of the character described in clauses (a) through (e) to the extent such Person remains legally liable in respect thereof notwithstanding that any such obligation is deemed to be extinguished under GAAP.

"Default" means an event or condition the occurrence or existence of which would, with the lapse of time or the giving of notice or both, become an Event of Default.

"Default Rate" means with respect to any Note that rate of interest that is the greater of (i) 2% per annum above the rate of interest stated in clause (a) of the first paragraph of such Note or (ii) 2% over the rate of interest publicly announced by Wells Fargo Bank, N.A. in San Francisco, California as its "base" or "prime" rate.

"Distribution" means, in respect of any corporation, association or other business entity:

(a) dividends or other distributions or payments on capital stock or other equity interest of such corporation, association or other business entity (except distributions in such stock or other equity interest); and

(b) the redemption, retirement, purchase or acquisition of such stock or other equity interests or of warrants, rights or other options to purchase such stock or other equity interests (except when solely in exchange for such stock or other equity interests) unless made, contemporaneously, from the net proceeds of a sale of such stock or other equity interests.

"Environmental Laws" means any and all Federal, state, local, and foreign statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or governmental restrictions relating to pollution and the protection of the environment or the release of any materials into the environment, including but not limited to those related to hazardous substances or wastes, air emissions and discharges to waste or public systems.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.

"ERISA Affiliate" means any trade or business (whether or not incorporated) that is treated as a single employer together with the Company under Section 414 of the Code.

"Event of Default" is defined in Section 11.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Fair Market Value" means, at any time and with respect to any property, the sale value of such property that would be realized in an

arm's-length sale at such time between an informed and willing buyer and an informed and willing seller (neither being under a compulsion to buy or sell).

"GAAP" means generally accepted accounting principles as in effect from time to time in the United States of America.

"General Partner" means Ferrellgas, Inc., a Delaware corporation.

"Governmental Authority" means

(a) the government of

(i) the United States of America or any State or other political subdivision thereof, or

(ii) any jurisdiction in which the Company or any Subsidiary conducts all or any part of its business, or which asserts jurisdiction over any properties of the Company or any Subsidiary, or

(b) any entity exercising executive, legislative, judicial, regulatory or administrative functions of, or pertaining to, any such government.

"Guaranty" means, with respect to any Person, any obligation (except the endorsement in the ordinary course of business of negotiable instruments for deposit or collection) of such Person guaranteeing or in effect guaranteeing any Indebtedness, dividend or other obligation of any other Person in any manner, whether directly or indirectly, including (without limitation) obligations incurred through an agreement, contingent or otherwise, by such Person:

(a) to purchase such Indebtedness or obligation or any property constituting security therefor;

(b) to advance or supply funds (i) for the purchase or payment of such Indebtedness or obligation, or (ii) to maintain any working capital or other balance sheet condition or any income statement condition of any other Person or otherwise to advance or make available funds for the purchase or payment of such Indebtedness or obligation;

(c) to lease properties or to purchase properties or services primarily for the purpose of assuring the owner of such Indebtedness or obligation of the ability of any other Person to make payment of the Indebtedness or obligation; or

(d) otherwise to assure the owner of such Indebtedness or obligation against loss in respect thereof.

In any computation of the Indebtedness or other liabilities of the obligor under any Guaranty, the Indebtedness or other obligations that are the subject of such Guaranty shall be assumed to be direct obligations of such obligor.

"Hazardous Material" means any and all pollutants, toxic or hazardous wastes or any other substances that might pose a hazard to health or safety, the removal of which may be required or the generation, manufacture, refining, production, processing, treatment, storage, handling, transportation, transfer, use, disposal, release, discharge, spillage, seepage, or filtration of which is or shall be restricted, prohibited or penalized by any applicable law (including, without limitation, asbestos, urea formaldehyde foam insulation and polychlorinated biphenyls).

"Holder" or "holder" means, with respect to any Note, the Person in whose name such Note is registered in the register maintained by the Company pursuant to Section 13.1.

"Indebtedness" with respect to any Person means, at any time, without duplication,

(a) its liabilities for borrowed money and its redemption obligations in respect of mandatorily redeemable Preferred Stock;

(b) its liabilities for the deferred purchase price of property acquired by such Person (excluding accounts payable arising in the ordinary course of business but including all liabilities created or arising under any conditional sale or other title retention agreement with respect to any such property);

(c) all liabilities appearing on its balance sheet in accordance with GAAP in respect of Capital Leases;

(d) all liabilities for borrowed money secured by any Lien with respect to any property owned by such Person (whether or not it has assumed or otherwise become liable for such liabilities);

(e) all its liabilities in respect of letters of credit or instruments serving a similar function issued or accepted for its account by banks and other financial institutions (whether or not representing obligations for borrowed money); and

(f) any Guaranty of such Person with respect to liabilities of a type described in any of

clauses (a) through (e) hereof.

Indebtedness of any Person shall include all obligations of such Person of the character described in clauses (a) through (f) to the extent such Person remains legally liable in respect thereof notwithstanding that any such obligation is deemed to be extinguished under GAAP.

"Institutional Investor" means (a) any original purchaser of a Note, (b) any holder of a Note holding more than 2% of the aggregate principal amount of the Notes then outstanding, and (c) any bank, trust company, savings and loan association or other financial institution, any pension plan, any investment company, any insurance company, any broker or dealer, or any other similar financial institution or entity, regardless of legal form.

"Investment" means any investment, made in cash or by delivery of property, by the Company or any of its Restricted Subsidiaries (i) in any Person, whether by acquisition of stock, Indebtedness or other obligations or Security, or by loan, Guaranty, advance, capital contribution or otherwise, or (ii) in any property that would be classified as Investments on a balance sheet prepared in accordance with GAAP.

"Lien" means, with respect to any Person, any mortgage, lien, pledge, charge, security interest or other encumbrance, or any interest or title of any vendor, lessor, lender or other secured party to or of such Person under any conditional sale or other title retention agreement or Capital Lease, upon or with respect to any property or asset of such Person (including in the case of stock, stockholder agreements, voting trust agreements and all similar arrangements).

"Maintenance Capital Expenditures" means cash capital expenditures made to maintain, up to the level thereof that existed at the time of such expenditure, the operating capacity of the capital assets of the Company and its Restricted Subsidiaries, taken as a whole, as such assets existed at the time of such expenditure.

"Make-Whole Amount" is defined in Section 8.6.

"Material" means material in relation to the business, operations, affairs, financial condition, assets, properties or prospects of the Company and its Restricted Subsidiaries taken as a whole.

"Material Adverse Effect" means a material adverse effect on (a) the business, operations, affairs, financial condition, assets or properties of the Company and its Restricted Subsidiaries taken as a whole, or (b) the ability of the Company to perform its obligations under this Agreement and the Notes, or (c) the validity or enforceability of this Agreement or the Notes.

"Memorandum" is defined in Section 5.3.

"Multiemployer Plan" means any Plan that is a "multiemployer plan" (as such term is defined in Section 4001(a)(3) of ERISA).

"Notes", "Series A Notes", "Series B Notes", "Series C Notes", "Series D Notes" and "Series E Notes" are defined in Section 1.

"Officer's Certificate" means a certificate of a Senior Financial Officer or of any other officer of the Company whose responsibilities extend to the subject matter of such certificate.

"PBGC" means the Pension Benefit Guaranty Corporation referred to and defined in ERISA or any successor thereto.

"Person" means an individual, partnership, joint venture, corporation, limited liability company, association, trust, unincorporated organization, or a government or agency or political subdivision thereof.

"Plan" means an "employee benefit plan" (as defined in Section 3(3) of ERISA) that is or, within the preceding five years, has been established or maintained, or to which contributions are or, within the preceding five years, have been made or required to be made, by the Company or any ERISA Affiliate or with respect to which the Company or any ERISA Affiliate may have any liability.

"Preferred Stock" means any class of capital stock of a corporation that is preferred over any other class of capital stock of such corporation as to the payment of dividends or the payment of any amount upon liquidation or dissolution of such corporation.

"Priority Debt" means, without duplication, the sum of (a) all Debt of the Company and its Restricted Subsidiaries secured by Liens permitted by Section 10.4(m), and (b) all Debt of Restricted Subsidiaries that is not permitted by Section 10.3(a), (b) or (c).

"property" or "properties" means, unless otherwise specifically limited, real or personal property of any kind, tangible or intangible, choate or inchoate.

"QPAM Exemption" means Prohibited Transaction Class Exemption 84-14 issued by the United States Department of Labor.

"Refinancing" is defined in Section 10.1(b).

"Required Holders" means, at any time, the holders of at least 51% in principal amount of the Notes at the time outstanding (exclusive of Notes then owned by the Company or any of its Affiliates).

"Responsible Officer" means any Senior Financial Officer and any other officer of the Company with responsibility for the administration of the relevant portion of this Agreement.

"Restricted Payment" means any Distribution in respect of the Company. For purposes of this Agreement, the amount of any Restricted Payment made in property shall be the greater of (x) the Fair Market Value of such property (as determined in good faith by the board of directors (or equivalent governing body) of the Person making such Restricted Payment) and (y) the net book value thereof on the books of such Person, in each case determined as of the date on which such Restricted Payment is made.

"Restricted Subsidiary" means any Subsidiary (i) of which more than 80% of the Voting Stock is beneficially owned, directly or indirectly by the Company, (ii) which is organized under the laws of the United States or any State thereof, (iii) which maintains substantially all of its assets and conducts substantially all of its business within the United States, and (iv) which is properly designated as such by the Company in the most recent notice (or, prior to any such notice, on Schedule 5.4) with respect to such Subsidiary given by the Company pursuant to and in accordance with the provisions of Section 7.4.

"Sale and Leaseback Transaction" means, with respect to a Person and property, a transaction or series of transactions pursuant to which such Person sells such property with the intent at the time of entering into such transaction or transactions of leasing such property for a term in excess of six months.

"Securities Act" means the Securities Act of 1933, as amended from time to time.

"Security" has the meaning set forth in section 2(a)(1) of the Securities Act of 1933, as amended.

"Senior Debt" means (a) any Debt of the Company (other than Subordinated Debt) and (b) any Debt of any Restricted Subsidiary.

"Senior Financial Officer" means the chief financial officer, principal accounting officer, treasurer or comptroller of the Company.

"Subordinated Debt" means any Debt of the Company that shall contain or have applicable thereto subordination provisions substantially in the form set forth in Exhibit 10.1 attached hereto providing for the subordination thereof to the Notes, or other provisions as may be approved in writing prior to the incurrence thereof by the Holders of not less than 66-2/3% in aggregate principal amount or the outstanding Notes.

"Subsidiary" means, as to any Person, any corporation, association or other business entity in which such Person or one or more of its Subsidiaries or such Person and one or more of its Subsidiaries owns sufficient equity or voting interests to enable it or them (as a group) ordinarily, in the absence of contingencies, to elect a majority of the directors (or Persons performing similar functions) of such entity, and any partnership or joint venture if more than a 50% interest in the profits or capital thereof is owned by such Person or one or more of its Subsidiaries (unless such partnership can and does ordinarily take major business actions without the prior approval of such Person or one or more of its Subsidiaries). Unless the context otherwise clearly requires, any reference to a "Subsidiary" is a reference to a Subsidiary of the Company.

"Subsidiary Stock" means the stock (or any options or warrants to purchase stock or other Securities exchangeable for or convertible into stock) of any Restricted Subsidiary.

"Transfer" means, with respect to any Person, any transaction in which such Person sells, conveys, abandons, transfers, leases (as lessor), or otherwise disposes of (including, without limitation, in connection with a Sale Leaseback Transaction), any of its property, including, without limitation, Subsidiary Stock.

"Unrestricted Subsidiary" means a Subsidiary which is not a Restricted Subsidiary.

"Voting Stock" means (i) Securities of any class of classes, the holders of which are ordinarily, in the absence of contingencies, entitled to elect a majority of the directors (or Persons performing similar functions) or (ii) in the case of a partnership or joint venture, interests in the profits or capital thereof entitling the holders of such interests to approve major business actions.

"Wholly-Owned Restricted Subsidiary" means, at any time, any Restricted Subsidiary one hundred percent (100%) of all of the equity interests (except directors' qualifying shares) and voting interests of which are owned by any one or more of the Company and the Company's other Wholly-Owned Restricted Subsidiaries at such time.

"Working Capital Facility" means the Debt facility made available to the Company for working capital purposes under the "Facility A Commitments" pursuant to the Credit Agreement dated June 30, 1998, between the Company and the banks named therein, as from time to time amended, supplemented and Refinanced and any other credit agreement from time to time entered into by the Company and its Restricted Subsidiaries for purposes of obtaining working capital Debt.

EXHIBIT 1-A
(to Note Purchase Agreement)

[FORM OF SERIES A NOTE]

FERRELLGAS, L.P.

6.99% SENIOR NOTE, SERIES A, DUE AUGUST 1, 2005

FOR VALUE RECEIVED, the undersigned, FERRELLGAS, L.P. (herein called the "Company"), a limited partnership organized and existing under the laws of the State of Delaware, hereby promises to pay to [_____] or registered assigns, the principal sum of [_____] DOLLARS on August 1, 2005 with interest (computed on the basis of a 360-day year of twelve 30-day months) (a) on the unpaid balance thereof at the rate of 6.99% per annum from the date hereof, payable semiannually, on the first day of February and August in each year, commencing with the February or August next succeeding the date hereof, until the principal hereof shall have become due and payable, and (b) to the extent permitted by law on any overdue payment (including any overdue prepayment) of principal, any overdue payment of interest and any overdue payment of any Make-Whole Amount (as defined in the Note Purchase Agreement referred to below), payable semiannually as aforesaid (or, at the option of the registered holder hereof, on demand), at a rate per annum from time to time equal to the greater of (i) 8.99% or (ii) 2% over the rate of interest publicly announced by Wells Fargo Bank, N.A. from time to time in San Francisco, California as its "base" or "prime" rate.

Payments of principal of, interest on and any Make-Whole Amount with respect to this Note are to be made in lawful money of the United States of America at the principal office of the Company in Liberty, Missouri or at such other place as the Company shall have designated by written notice to the holder of this Note as provided in the Note Purchase Agreement referred to below.

This Note is one of the 6.99% Senior Notes, Series A (herein called the "Series A Notes"), issued pursuant to the Note Purchase Agreement, dated as of July 1, 1998 (as from time to time amended, the "Note Purchase Agreement"), between the Company and the Purchasers named therein and is entitled to the benefits thereof. Each holder of this Note will be deemed, by its acceptance hereof, (i) to have agreed to the confidentiality provisions set forth in Section 20 of the Note Purchase Agreement and (ii) to have made the representation set forth in Section 6.2 of the Note Purchase Agreement.

This Note is a registered Series A Note and, as provided in the Note Purchase Agreement, upon surrender of this Note for registration of transfer, duly endorsed, or accompanied by a written instrument of transfer duly executed, by the registered holder hereof or such holder's attorney duly authorized in writing, a new Series A Note for a like principal amount will be issued to, and registered in the name of, the transferee. Prior to due presentment for registration of transfer, the Company may treat the person in whose name this Note is registered as the owner hereof for the purpose of receiving payment and for all other purposes, and the Company will not be affected by any notice to the contrary.

This Note is subject to optional prepayment, in whole or from time to time in part, at the times and on the terms specified in the Note Purchase Agreement, but not otherwise.

If an Event of Default, as defined in the Note Purchase Agreement, occurs and is continuing, the principal of this Note may be declared or otherwise become due and payable in the manner, at the price (including any applicable Make-Whole Amount) and with the effect provided in the Note Purchase Agreement.

This Note shall be construed and enforced in accordance with, and the rights of the issuer and holder hereof shall be governed by, the law of the State of Illinois excluding choice-of-law principles of the law of such State that would require the application of the laws of a jurisdiction other than such State.

FERRELLGAS, L.P.

By Ferrellgas, Inc., its general partner

By_____
Its_____

EXHIBIT 1-B
(to Note Purchase Agreement)

[FORM OF SERIES B NOTE]

FERRELLGAS, L.P.

7.08% SENIOR NOTE, SERIES B, DUE AUGUST 1, 2006

FOR VALUE RECEIVED, the undersigned, FERRELLGAS, L.P. (herein called the "Company"), a limited partnership organized and existing under the laws of the State of Delaware, hereby promises to pay to [_____] or registered assigns, the principal sum of [_____] DOLLARS on August 1, 2006 with interest (computed on the basis of a 360-day year of twelve 30-day months) (a) on the unpaid balance thereof at the rate of 7.08% per annum from the date hereof, payable semiannually, on the first day of February and August in each year, commencing with the February or August next succeeding the date hereof, until the principal hereof shall have become due and payable, and (b) to the extent permitted by law on any overdue payment (including any overdue prepayment) of principal, any overdue payment of interest and any overdue payment of any Make-Whole Amount (as defined in the Note Purchase Agreement referred to below), payable semiannually as aforesaid (or, at the option of the registered holder hereof, on demand), at a rate per annum from time to time equal to the greater of (i) 9.08% or (ii) 2% over the rate of interest publicly announced by Wells Fargo Bank, N.A. from time to time in San Francisco, California as its "base" or "prime" rate.

Payments of principal of, interest on and any Make-Whole Amount with respect to this Note are to be made in lawful money of the United States of America at the principal office of the Company in Liberty, Missouri or at such other place as the Company shall have designated by written notice to the holder of this Note as provided in the Note Purchase Agreement referred to below.

This Note is one of the 7.08% Senior Notes, Series B (herein called the "Series B Notes"), issued pursuant to Note Purchase Agreement, dated as of July 1, 1998 (as from time to time amended, the "Note Purchase Agreement"), between the Company and the Purchasers named therein and is entitled to the benefits thereof. Each holder of this Note will be deemed, by its acceptance hereof, (i) to have agreed to the confidentiality provisions set forth in Section 20 of the Note Purchase Agreement and (ii) to have made the representation set forth in Section 6.2 of the Note Purchase Agreement.

This Note is a registered Series B Note and, as provided in the Note Purchase Agreement, upon surrender of this Note for registration of transfer, duly endorsed, or accompanied by a written instrument of transfer duly executed, by the registered holder hereof or such holder's attorney duly authorized in writing, a new Series B Note for a like principal amount will be issued to, and registered in the name of, the transferee. Prior to due presentment for registration of transfer, the Company may treat the person in whose name this Note is registered as the owner hereof for the purpose of receiving payment and for all other purposes, and the Company will not be affected by any notice to the contrary.

This Note is subject to optional prepayment, in whole or from time to time in part, at the times and on the terms specified in the Note Purchase Agreement, but not otherwise.

If an Event of Default, as defined in the Note Purchase Agreement, occurs and is continuing, the principal of this Note may be declared or otherwise become due and payable in the manner, at the price (including any applicable Make-Whole Amount) and with the effect provided in the Note Purchase Agreement.

This Note shall be construed and enforced in accordance with, and the rights of the issuer and holder hereof shall be governed by, the law of the State of Illinois excluding choice-of-law principles of the law of such State that would require the application of the laws of a jurisdiction other than such State.

FERRELLGAS, L.P.

By Ferrellgas, Inc., its general partner

By_____
Its_____

EXHIBIT 1-C
(to Note Purchase Agreement)
[FORM OF SERIES C NOTE]

FERRELLGAS, L.P.

7.12% SENIOR NOTE, SERIES C, DUE AUGUST 1, 2008

FOR VALUE RECEIVED, the undersigned, FERRELLGAS, L.P. (herein called the "Company"), a limited partnership organized and existing under the laws of the State of Delaware, hereby promises to pay to [_____] or registered assigns, the principal sum of [_____] DOLLARS on August 1, 2008 with interest (computed on the basis of a 360-day year of twelve 30-day months) (a) on the unpaid balance thereof at the rate of 7.12% per annum from the date hereof, payable semiannually, on the first day of February and August in each year, commencing with the February or August next succeeding the date hereof, until the principal hereof shall have become due and payable, and (b) to the extent permitted by law on any overdue payment (including any overdue prepayment) of principal, any overdue payment of interest and any overdue payment of any Make-Whole Amount (as defined in the Note Purchase Agreement referred to below), payable semiannually as aforesaid (or, at the option of the registered holder hereof, on demand), at a rate per annum from time to time equal to the greater of (i) 9.12% or (ii) 2% over the rate of interest publicly announced by Wells Fargo Bank, N.A. from time to time in San Francisco, California as its "base" or "prime" rate.

Payments of principal of, interest on and any Make-Whole Amount with respect to this Note are to be made in lawful money of the United States of America at the principal office of the Company in Liberty Missouri or at such other place as the Company shall have designated by written notice to the holder of this Note as provided in the Note Purchase Agreement referred to below.

This Note is one of the 7.12% Senior Notes, Series C (herein called the "Series C Notes"), issued pursuant to Note Purchase Agreement, dated as of July 1, 1998 (as from time to time amended, the "Note Purchase Agreement"), between the Company and the Purchasers named therein and is entitled to the benefits thereof. Each holder of this Note will be deemed, by its acceptance hereof, (i) to have agreed to the confidentiality provisions set forth in Section 20 of the Note Purchase Agreement and (ii) to have made the representation set forth in Section 6.2 of the Note Purchase Agreement.

This Note is a registered Series C Note and, as provided in the Note Purchase Agreement, upon surrender of this Note for registration of transfer, duly endorsed, or accompanied by a written instrument of transfer duly executed, by the registered holder hereof or such holder's attorney duly authorized in writing, a new Series C Note for a like principal amount will be issued to, and registered in the name of, the transferee. Prior to due presentment for registration of transfer, the Company may treat the person in whose name this Note is registered as the owner hereof for the purpose of receiving payment and for all other purposes, and the Company will not be affected by any notice to the contrary.

This Note is subject to optional prepayment, in whole or from time to time in part, at the times and on the terms specified in the Note Purchase Agreement, but not otherwise.

If an Event of Default, as defined in the Note Purchase Agreement, occurs and is continuing, the principal of this Note may be declared or otherwise become due and payable in the manner, at the price (including any applicable Make-Whole Amount) and with the effect provided in the Note Purchase Agreement.

This Note shall be construed and enforced in accordance with, and the rights of the issuer and holder hereof shall be governed by, the law of the State of Illinois excluding choice-of-law principles of the law of such State that would require the application of the laws of a jurisdiction other than such State.

FERRELLGAS, L.P.

By Ferrellgas, Inc., its general partner

By_____
Its_____

EXHIBIT 1-D
(to Note Purchase Agreement)
[FORM OF SERIES D NOTE]

FERRELLGAS, L.P.

7.24% SENIOR NOTE, SERIES D, DUE AUGUST 1, 2010

FOR VALUE RECEIVED, the undersigned, FERRELLGAS, L.P. (herein called the "Company"), a limited partnership organized and existing under the laws of the State of Delaware, hereby promises to pay to [_____] or registered assigns, the principal sum of [_____] DOLLARS on August 1, 2010 with interest (computed on the basis of a 360-day year of twelve 30-day months) (a) on the unpaid balance thereof at the rate of 7.24% per annum from the date hereof, payable semiannually, on the first day of February and August in each year, commencing with the February or August next succeeding the date hereof, until the principal hereof shall have become due and payable, and (b) to the extent permitted by law on any overdue payment (including any overdue prepayment) of principal, any overdue payment of interest and any overdue payment of any Make-Whole Amount (as defined in the Note Purchase Agreement referred to below), payable semiannually as aforesaid (or, at the option of the registered holder hereof, on demand), at a rate per annum from time to time equal to the greater of (i) 9.24% or (ii) 2% over the rate of interest publicly announced by Wells Fargo Bank, N.A. from time to time in San Francisco, California as its "base" or "prime" rate.

Payments of principal of, interest on and any Make-Whole Amount with respect to this Note are to be made in lawful money of the United States of America at the principal office of the Company in Liberty Missouri or at such other place as the Company shall have designated by written notice to the holder of this Note as provided in the Note Purchase Agreement referred to below.

This Note is one of the 7.24% Senior Notes, Series D (herein called the "Series D Notes"), issued pursuant to Note Purchase Agreement, dated as of July 1, 1998 (as from time to time amended, the "Note Purchase Agreement"), between the Company and the Purchasers named therein and is entitled to the benefits thereof. Each holder of this Note will be deemed, by its acceptance hereof, (i) to have agreed to the confidentiality provisions set forth in Section 20 of the Note Purchase Agreement and (ii) to have made the representation set forth in Section 6.2 of the Note Purchase Agreement.

This Note is a registered Series D Note and, as provided in the Note Purchase Agreement, upon surrender of this Note for registration of transfer, duly endorsed, or accompanied by a written instrument of transfer duly executed, by the registered holder hereof or such holder's attorney duly authorized in writing, a new Series D Note for a like principal amount will be issued to, and registered in the name of, the transferee. Prior to due presentment for registration of transfer, the Company may treat the person in whose name this Note is registered as the owner hereof for the purpose of receiving payment and for all other purposes, and the Company will not be affected by any notice to the contrary.

This Note is subject to optional prepayment, in whole or from time to time in part, at the times and on the terms specified in the Note Purchase Agreement, but not otherwise.

If an Event of Default, as defined in the Note Purchase Agreement, occurs and is continuing, the principal of this Note may be declared or otherwise become due and payable in the manner, at the price (including any applicable Make-Whole Amount) and with the effect provided in the Note Purchase Agreement.

This Note shall be construed and enforced in accordance with, and the rights of the issuer and holder hereof shall be governed by, the law of the State of Illinois excluding choice-of-law principles of the law of such State that would require the application of the laws of a jurisdiction other than such State.

FERRELLGAS, L.P.

By Ferrellgas, Inc., its general partner

By_____
Its_____

EXHIBIT 1-E
(to Note Purchase Agreement)
[FORM OF SERIES E NOTE]

FERRELLGAS, L.P.

7.42% SENIOR NOTE, SERIES E, DUE AUGUST 1, 2013

FOR VALUE RECEIVED, the undersigned, FERRELLGAS, L.P. (herein called the "Company"), a limited partnership organized and existing under the laws of the State of Delaware, hereby promises to pay to [_____] or registered assigns, the principal sum of [_____] DOLLARS on August 1, 2013 with interest (computed on the basis of a 360-day year of twelve 30-day months) (a) on the unpaid balance thereof at the rate of 7.42% per annum from the date hereof, payable semiannually, on the first day of February and August in each year, commencing with the February or August next succeeding the date hereof, until the principal hereof shall have become due and payable, and (b) to the extent permitted by law on any overdue payment (including any overdue prepayment) of principal, any overdue payment of interest and any overdue payment of any Make-Whole Amount (as defined in the Note Purchase Agreement referred to below), payable semiannually as aforesaid (or, at the option of the registered holder hereof, on demand), at a rate per annum from time to time equal to the greater of (i) 9.42% or (ii) 2% over the rate of interest publicly announced by Wells Fargo Bank, N.A. from time to time in San Francisco, California as its "base" or "prime" rate.

Payments of principal of, interest on and any Make-Whole Amount with respect to this Note are to be made in lawful money of the United States of America at the principal office of the Company in Liberty Missouri or at such other place as the Company shall have designated by written notice to the holder of this Note as provided in the Note Purchase Agreement referred to below.

This Note is one of the 7.42% Senior Notes, Series E (herein called the "Series E Notes"), issued pursuant to Note Purchase Agreement, dated as of July 1, 1998 (as from time to time amended, the "Note Purchase Agreement"), between the Company and the Purchasers named therein and is entitled to the benefits thereof. Each holder of this Note will be deemed, by its acceptance hereof, (i) to have agreed to the confidentiality provisions set forth in Section 20 of the Note Purchase Agreement and (ii) to have made the representation set forth in Section 6.2 of the Note Purchase Agreement.

This Note is a registered Series E Note and, as provided in the Note Purchase Agreement, upon surrender of this Note for registration of transfer, duly endorsed, or accompanied by a written instrument of transfer duly executed, by the registered holder hereof or such holder's attorney duly authorized in writing, a new Series E Note for a like principal amount will be issued to, and registered in the name of, the transferee. Prior to due presentment for registration of transfer, the Company may treat the person in whose name this Note is registered as the owner hereof for the purpose of receiving payment and for all other purposes, and the Company will not be affected by any notice to the contrary.

This Note is subject to optional prepayment, in whole or from time to time in part, at the times and on the terms specified in the Note Purchase Agreement, but not otherwise.

If an Event of Default, as defined in the Note Purchase Agreement, occurs and is continuing, the principal of this Note may be declared or otherwise become due and payable in the manner, at the price (including any applicable Make-Whole Amount) and with the effect provided in the Note Purchase Agreement.

This Note shall be construed and enforced in accordance with, and the rights of the issuer and holder hereof shall be governed by, the law of the State of Illinois excluding choice-of-law principles of the law of such State that would require the application of the laws of a jurisdiction other than such State.

FERRELLGAS, L.P.

By Ferrellgas, Inc., its general partner

By_____
Its_____

EXHIBIT 4.4(a)
(to Note Purchase Agreement)
FORM OF OPINION OF SPECIAL COUNSEL FOR THE COMPANY

The closing opinion of Bryan Cave LLP, special counsel for the Company, its Restricted Subsidiaries and the General Partner, which is called for by Section 4.4(a) of the Note Purchase Agreement, shall be dated the date of the Closing and addressed to the Purchasers, shall be satisfactory in scope and form to the Purchasers and shall be to the effect that:

1. The Company is a partnership, duly formed, validly existing and in good standing under the laws of the State of Delaware, has the partnership power and authority to execute and perform the Note Purchase Agreement and to issue the Notes and has the requisite partnership power and authority to conduct its business in all material respects as presently conducted and, based solely on certificates of foreign qualification provided by the Secretary of State of each jurisdiction, is duly qualified or registered as a foreign partnership to transact business in, and is in good standing as a foreign partnership in each jurisdiction set forth on Schedule I hereto, and, to our knowledge, such jurisdictions are the only jurisdictions in which the Company conducts any business that requires qualification or registration to conduct business as a foreign partnership, except where the failure to so qualify or register would not have a Material Adverse Effect.

2. Each Restricted Subsidiary of the Company is a corporation or limited partnership duly incorporated or formed, as the case may be, validly existing and in good standing under the laws of its jurisdiction of incorporation or formation and, based solely upon certificates of foreign qualification provided by the Secretary of State of each jurisdiction, is duly qualified or registered as a foreign corporation or limited partnership to transact business in, and is in good standing as a foreign corporation or limited partnership in each jurisdiction set forth on Schedule II hereto, and, to our knowledge, such jurisdictions are the only jurisdictions in which the Restricted Subsidiaries of the Company conduct any business that requires qualification or registration to conduct business as a foreign corporation or partnership, except where the failure to so qualify or register would not have a material adverse effect upon the respective Restricted Subsidiaries; and all of the issued and outstanding shares of capital stock or other ownership interests of each such Restricted Subsidiary, as applicable, have been validly issued, are fully paid and non-assessable and the Company and/or one or more Restricted Subsidiaries is the holder of record of such shares or ownership interests.

3. The Note Purchase Agreement has been duly authorized by all necessary partnership action on the part of the Company, has been duly executed and delivered by the Company and constitutes the legal, valid and binding obligation of the Company enforceable in accordance with its terms, except to the extent that enforceability may be limited by applicable bankruptcy, insolvency, fraudulent conveyance and similar laws affecting creditors' rights generally, and general principles of equity (regardless of whether the enforceability of such principles is considered in a proceeding in equity or at law).

4. The Notes have been duly authorized by all necessary partnership action on the part of the Company, have been duly executed and delivered by the Company, and when paid for by the Purchasers, will constitute the legal, valid and binding obligations of the Company enforceable in accordance with their terms, subject to bankruptcy, insolvency, fraudulent conveyance and similar laws affecting creditors' rights generally, and general principles of equity (regardless of whether the application of such principles is considered in a proceeding in equity or at law).

5. No approval, consent, registration, qualification or other action on the part of, or filing with any governmental body, Federal, state or local, is required for the execution, delivery and performance by the Company of the Note Purchase Agreement or the execution, delivery and performance by the Company of the Notes, except, in each case, such approvals, consents, registrations, or qualifications as have been obtained, or set forth or contemplated in the Note Purchase Agreement.

6. The issuance and sale of the Notes and the execution, delivery and performance by the Company of the Note Purchase Agreement do not violate applicable provisions of statutory law applicable to or binding on the Company or any order of any court or governmental authority or agency applicable to or binding on the Company, or violate or result in any breach of any of the provisions of or constitute a default under, or result in the creation or imposition of a Lien with respect to, any material bond, note, debenture or other evidence of indebtedness or any material indenture, mortgage, deed of trust, loan agreement, contract, lease or other material instrument for money borrowed known to us to which the Company is a party or by which the Company is bound or to which the property of the Company is subject, nor will such action result in a breach or violation of the Certificate of Formation or Articles of Partnership of the Company; provided, however, that, for purposes of this paragraph 6, no opinion is expressed with respect to Federal or state securities laws, other antifraud laws and fraudulent transfer laws.

7. The issuance, sale and delivery of the Notes by the Company under the circumstances contemplated by the Note Purchase Agreement do not, under existing law, require the registration of the Notes under the Securities Act of 1933, as amended, or the qualification of an indenture in respect thereof under the Trust Indenture Act of 1939, as amended.

8. To our knowledge, there are no actions, suits or proceedings pending or overtly threatened by written communication against the Company or any Restricted Subsidiary in any court or before any arbitrator of any kind or before or by any Governmental Authority either (i) which purport to affect the Note Purchase Agreement or the Notes, or (ii) that, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

9. The issuance of the Notes and the use of the proceeds of the sale of the Notes in accordance with the provisions of and as contemplated by the Note Purchase Agreement (including, without limitation, the representations and warranties set forth in the Note Purchase Agreement) do not violate or conflict with Regulation T, U or X of the Board of Governors of the Federal Reserve System.

10. The Company is not an "investment company," or a company "controlled" by an "investment company," under the Investment Company Act of 1940, as amended.

11. A court sitting in the State of Missouri will look to the conflict of law rules of the State of Missouri to determine which law governs. Under the conflict of law rules of the State of Missouri, a court sitting in the State of Missouri should give effect to the contractual choice of law clause in the Note Purchase Agreement and the Notes electing Illinois law assuming that the Purchasers have reasonable contacts with the State of Illinois, including without limitation, that Allstate Life Insurance Company, one of the Purchasers is headquartered in the State of Illinois, that many of the Purchasers have offices or agents in the State of Illinois, that the Notes will be delivered in the State of Illinois, and that counsel to the Purchasers is located in the State of Illinois.

The opinion of Bryan Cave LLP shall be limited to the laws of the State of Missouri, the Delaware Revised Uniform Limited Partnership Act, the general business corporation law of the State of Delaware and the Federal laws of the United States. In rendering the opinions set forth in paragraphs (3) and (4) above, Bryan Cave LLP shall assume that the laws of Missouri govern the Note Purchase Agreement and the Notes. The opinion of Bryan Cave LLP shall cover such other matters relating to the sale of the Notes as the Purchasers may reasonably request. With respect to matters of fact on which such opinion is based, such counsel shall be entitled to rely on appropriate certificates of public officials and officers of the Company and upon representations of the Company and the Purchasers delivered in connection with the issuance and sale of the Notes.

EXHIBIT 4.4(b)
(to Note Purchase Agreement)
FORM OF OPINION OF SPECIAL COUNSEL
TO THE PURCHASERS

The closing opinion of Chapman and Cutler, special counsel for the Purchasers, called for by Section 4.4(b) of the Note Purchase Agreement, shall be dated the date of the Closing and addressed to the Purchasers, shall be satisfactory in form and substance to the Purchasers and shall be to the effect that:

1. The Company is a partnership, validly existing and in good standing under the laws of the State of Delaware and has the power and the authority to execute and deliver the Note Purchase Agreement and to issue the Notes.

2. The Note Purchase Agreement has been duly authorized by all necessary action on the part of the Company, has been duly executed and delivered by the Company and constitutes the legal, valid and binding contract of the Company enforceable in accordance with its terms, subject to bankruptcy, insolvency, fraudulent conveyance and similar laws affecting creditors' rights generally, and general principles of equity (regardless of whether the application of such principles is considered in a proceeding in equity or at law).

3. The Notes have been duly authorized by all necessary action on the part of the Company, and the Notes being delivered on the date hereof have been duly executed and delivered by the Company and constitute the legal, valid and binding obligations of the Company enforceable in accordance with their terms, subject to bankruptcy, insolvency, fraudulent conveyance and similar laws affecting creditors' rights generally, and general principles of equity (regardless of whether the application of such principles is considered in a proceeding in equity or at law).

4. The issuance, sale and delivery of the Notes under the circumstances contemplated by the Note Purchase Agreement do not, under existing law, require the registration of the Notes under the Securities Act of 1933, as amended, or the qualification of an indenture under the Trust Indenture Act of 1939, as amended.

The opinion of Chapman and Cutler shall also state that the opinion of Bryan Cave LLP, special counsel for the Company, is satisfactory in scope and form to Chapman and Cutler and that, in their opinion, the Purchasers are justified in relying thereon.

In rendering the opinion set forth in paragraph 1 above, Chapman and Cutler may rely, as to matters referred to in paragraph 1, solely upon an examination of the Certificate of Formation certified by, and a certificate of good standing of the Company from, the Secretary of State of the State of Delaware, the Articles of Partnership of the Company and the general partnership law of the State of Delaware. The opinion of Chapman and Cutler shall be limited to the laws of the State of Illinois, the Delaware Revised Uniform Limited Partnership Act and the Federal laws of the United States.

With respect to matters of fact upon which such opinion is based, Chapman and Cutler may rely on appropriate certificates of public officials and officers of the Company and upon representations of the Company and the Purchasers delivered in connection with the issuance and sale of the Notes.

EXHIBIT 10.1
(to Note Purchase Agreement)
SUBORDINATION PROVISIONS APPLICABLE TO
Subordinated Debt

(a) The indebtedness evidenced by the subordinated notes and any renewals or extensions thereof, premium, if any, interest (including, without limitation any such interest accruing subsequent to the filing by or against the Company of any proceeding brought under Chapter 11 of the Bankruptcy Code (11 U.S.C. Section 100 et seq.)) and any fees, charges, expenses or other sums payable under or in respect of the agreements pursuant to which such subordinated notes were issued, shall at all times be wholly and unconditionally subordinate and junior in right of payment to any and all indebtedness of the Company (including principal, premium, if any, accrued and unpaid interest, including any interest which may accrue subsequent to commencement of proceedings under bankruptcy laws (whether or not such interest is allowed as a claim pursuant to the provisions of any such bankruptcy laws) evidenced by the Company's $109,000,000 aggregate principal amount 6.99% Senior Notes, Series A, due August 1, 2005, $37,000,000 aggregate principal amount 7.08% Senior Notes, Series B, due August 1, 2006, $52,000,000 aggregate principal amount 7.12% Senior Notes, Series C, due August 1, 2008, $82,000,000 aggregate principal amount 7.24% Senior Notes, Series D, due August 1, 2010, and $70,000,000 aggregate principal amount 7.42% Senior Notes, Series E, due August 1, 2013 issued pursuant to the Note Purchase Agreement, dated as of July 1, 1998, as the same shall be amended from time to time, between the Company and the institutional investors named in Schedule A attached thereto and all other amounts due under said Note Purchase Agreement (together with any renewal, replacement or refinancing thereof, herein called "Superior Indebtedness"), in the manner and with the force and effect hereafter set forth:

(1) In the event of any (i) liquidation, dissolution or winding up of the Company, voluntary or involuntary, (ii) any execution, sale, receivership, insolvency, bankruptcy, liquidation, readjustment, reorganization or other similar proceeding relative to the Company or its property, (iii) any general assignment by the Company for the benefit of creditors, or (iv) any distribution, division, marshalling or application of any of the properties or assets of the Company or the proceeds thereof to creditors, voluntary or involuntary, and whether or not involving legal proceedings, then and in any event:

(A) all principal, premium, if any, and interest and all other sums owing on all Superior Indebtedness shall first be indefeasibly paid in full in cash before any payment or distribution of any kind or character is made upon the indebtedness evidenced by the subordinated notes; and in any such event any payment or distribution of any kind or character, whether in cash, property or securities (other than in securities, including equity securities, or other evidences of indebtedness, the payment of which is unconditionally subordinated (to the same extent as the subordinated notes) to the payment of all Superior Indebtedness which may at the time be outstanding) which shall be made upon or in respect of the subordinated notes shall immediately be paid over to the holders of such Superior Indebtedness, pro rata, for application in payment thereof, unless and until such Superior Indebtedness shall have been indefeasibly paid or satisfied in full in cash;

(2) In the event that the subordinated notes are in default under circumstances when the foregoing clause (l) shall not be applicable, the holders of the subordinated notes shall be entitled to payments of principal, premium, if any, or interest only after there shall first have been indefeasibly paid in full in cash all Superior Indebtedness outstanding at the time the subordinated notes so become in default; and

(3) During the continuance of any default with respect to any Superior Indebtedness, no payment of principal, premium, if any, or interest or any other fees, charges, expenses or other sums payable under or in respect of the agreements pursuant to which such subordinated notes were issued shall be made on the subordinated notes.

(b) The holder of each subordinated note agrees that: (1) it will not initiate a proceeding for liquidation, dissolution or winding-up of the Company, or for execution, sale, receivership, insolvency, bankruptcy, liquidation, readjustment, reorganization or other similar proceeding relative to the Company or its property and (2) it will not accelerate the maturity of or enforce the collection of the subordinated notes.

(c) The holder of each subordinated note undertakes and agrees for the benefit of each holder of Superior Indebtedness to execute, verify, deliver and file any proofs of claim within 30 days before the expiration of the time to file the same which any holder of Superior Indebtedness may at any time require in order to prove and realize upon any rights or claims pertaining to the subordinated notes and to effectuate the full benefit of the subordination contained herein; and upon failure of the holder of any subordinated note so to do, any such holder of Superior Indebtedness shall be deemed to be irrevocably appointed the agent and attorney-in-fact of the holder of such note to execute, verify, deliver and file any such proofs of claim.

(d) No right of any holder of any Superior Indebtedness to enforce subordination as herein provided shall at any time or in any way be affected or impaired by any failure to act on the part of the Company or the holders of Superior Indebtedness, or by any noncompliance by the Company with any of the terms, provisions and covenants of the subordinated notes or the agreement under

which they are issued, regardless of any knowledge thereof that any such holder of Superior Indebtedness may have or be otherwise charged with.

(e) The subordination effected by the foregoing provisions and the rights created thereby of the holders of the Superior Indebtedness shall not be affected by: (1) any amendment of or addition or supplement to any Superior Indebtedness or any instrument or agreement relating thereto, (2) any exercise or non-exercise of any right, power or remedy under or in respect of any Superior Indebtedness or any instrument or agreement relating thereto, or (3) the giving or denial of any waiver, consent, release, indulgence, extension, renewal, modification or delay or the taking or nontaking of any other action, inaction or omission, in respect of any Superior Indebtedness or any instrument or agreement relating thereto or to any securities relating thereto or any guarantee thereof, whether or not any holder of any subordinated notes shall have had notice or knowledge of any of the foregoing.

(f) The Company agrees, for the benefit of the holders of Superior Indebtedness, that in the event that any subordinated note is declared due and payable before its expressed maturity because of the occurrence of a default hereunder: (1) the Company will give prompt notice in writing of such happening to the holders of Superior Indebtedness and (2) all Superior Indebtedness shall forthwith become immediately due and payable upon demand, regardless of the expressed maturity thereof and (3) the holders of such subordinated notes shall not entitled to receive any payment or distribution in respect thereof or applicable thereto until all Superior Indebtedness at the time outstanding shall have been indefeasibly paid in full in cash.

(g) No holder of any subordinated notes will sell, assign, pledge, encumber or otherwise dispose of any of its subordinated notes unless such sale, assignment, pledge, encumbrance or disposition is made expressly subject to the foregoing provisions.

(h) If any payment or distribution of any character, whether in cash, securities or other property shall be received by any holder of any subordinated notes in contravention of this Section _____, such payment or distribution shall be received and held in trust for the benefit of, and shall be promptly paid over or delivered and transferred in the form received to, the holders of the Superior Indebtedness pro rata for application to the payment of all Superior Indebtedness remaining unpaid, to the extent necessary to indefeasibly pay all such Superior Indebtedness in full in cash. In the event of the failure of any holder of the subordinated notes to endorse or assign any such payment, distribution or security, any holder of the Superior Indebtedness or such holder's representative is hereby irrevocably authorized to endorse or assign the same.

SECOND AMENDED AND RESTATED CREDIT AGREEMENT

Dated as of July 2, 1998

among

FERRELLGAS, L.P.,

FERRELLGAS, INC.,

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION,

as Administrative Agent,

and

THE OTHER FINANCIAL INSTITUTIONS PARTY HERETO

NATIONSBANK, N.A.,

as Documentation Agent

Arranged By

BANCAMERICA ROBERTSON STEPHENS

SECOND AMENDED AND RESTATED CREDIT AGREEMENT

This SECOND AMENDED AND RESTATED CREDIT AGREEMENT is entered into as of July 2, 1998, among FERRELLGAS, L.P., a Delaware limited partnership (the "Borrower"), FERRELLGAS, INC., a Delaware corporation and the sole general partner of the Borrower (the "General Partner"), the several financial institutions from time to time party to this Agreement (collectively, the "Banks"; individually, a "Bank"), BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION ("BofA"), as agent for the Banks (in such capacity, the "Administrative Agent"). NATIONSBANK, N.A. is named as documentation agent (the "Documentation Agent") hereunder.

R E C I T A L S

WHEREAS, the Borrower, the General Partner, the Banks and the Administrative Agent are parties to the Existing Credit Agreement (as defined below), pursuant to which the Banks have (a) made revolving credit loans to the Borrower and have issued or participated in letters of credit for the account of the Borrower, in each case for working capital, Acquisitions and general partnership purposes in an aggregate amount of up to $185,000,000, (b) made additional revolving loans to Borrower solely for working capital purposes in an aggregate amount of up to $20,000,000 and (c) made term loans to the Borrower to refinance the $50,000,000 Series B Floating Rate Senior Notes due 2001 issued by the Borrower and Finance Corp. (as defined below);

WHEREAS, the Borrower has requested that (i) the outstanding Facility A Revolving Loans and Facility C Revolving Loans under the Existing Credit Agreement be refinanced and converted into Facility C Revolving Loans under this Agreement, (ii) the Facility A Commitments under the Existing Credit Agreement be converted into Facility A Commitments under this Agreement, the proceeds of which are to be used by the Borrower solely for working capital purposes, (iii) the Facility C Commitments under the Existing Credit Agreement be converted into Facility C Commitments under this Agreement, the proceeds of which are to be used by the Borrower for Acquisitions and general partnership purposes, (iv) separate and apart from the foregoing credit facilities, the Banks make new Facility B Commitments and Facility B Revolving Loans to the Borrower in an aggregate amount of up to $50,000,000, the proceeds of which are to be used by the Borrower for working capital and general partnership purposes and (v) the Existing Credit Agreement otherwise be amended and restated in its entirety as set forth below in this Agreement;

WHEREAS, on or prior to the Restatement Effective Date, the Borrower will issue pursuant to the 1998 Note Purchase Agreement (as defined below) the 1998 Fixed Rate Senior Notes (as defined below) in an aggregate principal amount of not greater than $350,000,000, the proceeds of which will be used to redeem the Fixed Rate Senior Notes (as defined below) and to repay in full the Facility B Term Loans under (and as defined in) the Existing Credit Agreement; and

WHEREAS, the Banks are willing, on and subject to the terms and conditions set forth in this Agreement, to amend and restate the terms of the Existing Credit Agreement and to extend credit under this Agreement as more particularly hereinafter set forth.

ACCORDINGLY, the parties hereto agree to amend and restate the Existing Credit Agreement as follows:

ARTICLE I

DEFINITIONS

The following terms have the following meanings:

"1994 Indenture" means the Indenture dated as of July 5, 1994, among the Borrower, Finance Corp. and Norwest Bank Minnesota, National Association, pursuant to which the Fixed Rate Senior Notes and the Floating Rate Senior Notes were issued, as it may be amended, modified or supplemented from time to time.

"1996 Indenture" means the Indenture dated as of April 26, 1996, among the MLP, Ferrellgas Partners Finance Corp. and American Bank National Association, pursuant to which the MLP Senior Notes were issued, as it may be amended, modified or supplemented from time to time.

"1998 Fixed Rate Senior Notes" means, collectively, (a) the $109,000,000 6.99% Senior Notes, Series A, due August 1, 2005, (b) the $37,000,000 7.08% Senior Notes, Series B, due August 1, 2006, (c) the $52,000,000 7.12% Senior Notes, Series C, due 2008, (d) the $82,000,000 7.24% Senior Notes, Series D, due August 1, 2010 and (e) the $70,000,000 7.42% Senior Notes, Series E, due August 1, 2013, in each case issued by the Borrower pursuant to the 1998 Note Purchase Agreement.

"1998 Note Purchase Agreement" means the Note Purchase Agreement, dated as of July 1, 1998, among the Borrower and the Purchasers named therein, pursuant to which the 1998 Fixed Rate Senior Notes will be issued, as it may be amended, modified or supplemented from time to time.

"Acquired Debt" means, with respect to any specified Person, (i) Indebtedness of any other Person existing at the time such other Person merged with or into or became a Subsidiary of such specified Person, including Indebtedness incurred in connection with, or in contemplation of, such other Person merging with or into or becoming a Subsidiary of such specified Person and (ii) Indebtedness encumbering any asset acquired by such specified Person.

"Acquisition" means any transaction or series of related transactions for the purpose of or resulting, directly or indirectly, in (a) the acquisition of all or substantially all of the assets of a Person, or of any business or division of a Person, (b) the acquisition of in excess of 50% of the capital stock, partnership interests or equity of any Person or otherwise causing any Person, to become a Subsidiary, or (c) a merger or consolidation or any other combination with another Person (other than a Person that is a Subsidiary) provided that the Borrower or the Subsidiary is the surviving entity.

"Affiliate" means, as to any Person, any other Person which, directly or indirectly, is in control of, is controlled by, or is under common control with, such Person. A Person shall be deemed to control another Person if the controlling Person possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of the other Person, whether through the ownership of voting securities, by contract, or otherwise.

"Administrative Agent" has the meaning specified in the introductory clause hereto. References to the "Administrative Agent" shall include BofA in its capacity as agent for the Banks hereunder, and any successor agent arising under Section 10.09.

"Agent-Related Persons" means BofA and any successor Administrative Agent arising under Section 10.09, together with their respective Affiliates (including, in the case of BofA, the Arranger), and the officers, directors, employees, agents and attorneys-in-fact of such Persons and Affiliates.

"Administrative Agent's Payment Office" means the address for payments set forth on Schedule 11.02 hereto in relation to the Administrative Agent, or such other address as the Administrative Agent may from time to time specify.

"Agreement" means this Credit Agreement.

"Applicable Margin" means, for each Type of Loan, effective as of the first day of each fiscal quarter, the percentage per annum (expressed in basis points) set forth below opposite the Level of the Pricing Ratio applicable to such fiscal quarter as set forth herein.

Pricing Ratio	Base Rate Loans	Eurodollar Loans
Level 1	0.00 b.p.	42.50 b.p.
Level 2	0.00 b.p.	50.00 b.p.
Level 3	0.00 b.p.	60.00 b.p.
Level 4	0.00 b.p.	80.00 b.p.
Level 5	0.00 b.p.	110.00 b.p.
Level 6	12.50 b.p.	137.50 b.p.

"Arranger" means BancAmerica Robertson Stephens, a Wholly-Owned Subsidiary of BankAmerica Corporation. The Arranger is a registered broker-dealer and permitted to underwrite and deal in certain Ineligible Securities.

"Asset Sale" has the meaning specified in Section 8.02.

"Assignee" has the meaning specified in subsection 11.08(a).

"Attorney Costs" means and includes all reasonable and

itemized fees and disbursements of any law firm or other external counsel, the allocated cost of internal legal services and all disbursements of internal counsel.

"Attributable Debt" means, in respect of a sale and leaseback arrangement of any property, as at the time of determination, the present value (calculated using a discount rate equal to 7.16%) of the total obligations of the lessee for rental payments during the remaining term of the lease included in such arrangement (including any period for which such lease has been extended).

"Available Cash" has the meaning given to such term in the Partnership Agreement, as amended to July 5, 1994; provided, that (i) Available Cash shall not include any amount of Net Proceeds of Asset Sales until the 270-day period following the consummation of the applicable Asset Sale, (ii) investments, loans and other contributions to a Non-Recourse Subsidiary are to be treated as "cash disbursements" when made for purposes of determining the amount of Available Cash and (iii) cash receipts of a Non-Recourse Subsidiary shall not constitute cash receipts of the Borrower for purposes of determining the amount of Available Cash until cash is actually distributed by such Non-Recourse Subsidiary to the Borrower.

"Bank" has the meaning specified in the introductory clause hereto. References to the "Banks" shall include BofA and any other Bank designated by the Administrative Agent as an Issuing Bank from time to time, including in their respective capacities as Issuing Banks; for purposes of clarification only, to the extent that an Issuing Bank may have any rights or obligations in addition to those of a Bank due to its status as an Issuing Bank, its status as such will be specifically referenced.

"Bankruptcy Code" means the Federal Bankruptcy Reform Act of 1978, as amended (11 U.S.C. ss.101, et seq.).

"Base Rate" means, for any day, the higher of: (a) 0.50% per annum above the Federal Funds Rate in effect on such day; and (b) the rate of interest in effect for such day as publicly announced from time to time by BofA in San Francisco, California, as its "reference rate." (The "reference rate" is a rate set by BofA based upon various factors including BofA's costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above, or below such announced rate.) Any change in the reference rate announced by BofA shall take effect at the opening of business on the day specified in the public announcement of such change or if no day is so specified, on the day of the announcement.

"Base Rate Loan" means a Loan that bears interest based on the Base Rate.

"BofA" has the meaning specified in the introductory clause hereto.

"Borrowing" means a borrowing hereunder consisting of Loans of the same Type made to the Borrower on the same day by the Banks (or, in the case of Swingline Loans, by BofA) and, for Eurodollar Rate Loans, having the same Interest Period, in either case under Article II.

"Borrowing Date" means any date on which a Borrowing occurs.

"Business Day" means any day other than a Saturday, Sunday or other day on which commercial banks in New York or San Francisco are authorized or required by law to close and, if the applicable Business Day relates to any Eurodollar Rate Loan, means such a day on which dealings are carried on in the London interbank dollar market.

"Capital Adequacy Regulation" means any guideline, request or directive of any central bank or other Governmental Authority, or any other law, rule or regulation, whether or not having the force of law, in each case, regarding capital adequacy of any bank or of any corporation controlling a bank.

"Capital Interests" means, with respect to any corporation, any and all shares, participations, rights or other equivalent interests in the capital of the corporation, and with respect to any partnership, any and all partnership interests (whether general or limited) and other interests or participations that confer on a Person the right to receive a share of the profits and losses of, or distributions of assets of, such partnership.

"Capital Lease Obligation" means, at the time any determination thereof is to be made, the amount of the liability in respect of a capital lease that would at such time be so required to be capitalized on the balance sheet in accordance with GAAP.

"Cash Collateralize" means to pledge and deposit with or deliver to the Administrative Agent, for the benefit of the Administrative Agent, the Issuing Banks and the Banks, as collateral for the L/C Obligations or any outstanding Loan, cash or deposit account balances pursuant to documentation in form and substance satisfactory to the Administrative Agent (which documents are hereby consented to by the Banks). Derivatives of such term shall have corresponding meaning. The Borrower hereby grants to the Administrative Agent, for the benefit of the Administrative Agent, the Issuing Banks and the Banks, a security interest in all such cash and deposit account balances. Cash collateral shall be maintained in blocked, non-interest bearing deposit accounts at BofA. Such collateral may be invested from time to time in short-term money market instruments and other

investments with the consent of the Administrative Agent and the Majority Banks (which consent may be given or withheld in their sole and absolute discretion) provided that the Administrative Agent, the Issuing Banks and the Banks shall at all times have a first priority perfected security interest in such collateral and the proceeds thereof.

"Cash Equivalents" means (i) United States dollars, (ii) securities issued or directly and fully guaranteed or insured by the United States government or any agency or instrumentality thereof having maturities of not more than eighteen months from the date of acquisition, (iii) certificates of deposit and eurodollar time deposits with maturities of six months or less from the date of acquisition, bankers' acceptances with maturities not exceeding six months and overnight bank deposits, in each case with any Bank or with any other domestic commercial bank having capital and surplus in excess of $500 million and a Keefe Bank Watch Rating of "B" or better, (iv) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (ii) and (iii) entered into with any financial institution meeting the qualifications specified in clause (iii) above, (v) commercial paper or direct obligations of a Person, provided such Person has publicly outstanding debt having the highest short-term rating obtainable from Moody's Investors Service, Inc. or Standard & Poor's Corporation and provided further that such commercial paper or direct obligation matures within 270 days after the date of acquisition, and (vi) investments in money market funds all of whose assets consist of securities of the types described in the foregoing clauses (i) through (v).

"Change of Control" means (i) the sale, lease, conveyance or other disposition of all or substantially all of the Borrower's assets to any Person or group (as such term is used in Section 13(d)(3) of the Exchange Act) other than James E. Ferrell, the Related Parties and any Person of which James E. Ferrell and the Related Parties beneficially own in the aggregate 51% or more of the voting Capital Interests (or if such Person is a partnership, 51% or more of the general partner interests), (ii) the liquidation or dissolution of the Borrower or the General Partner, (iii) the occurrence of any transaction, the result of which is that James E. Ferrell and the Related Parties beneficially own in the aggregate, directly or indirectly, less than 51% of the total voting power entitled to vote for the election of directors of the General Partner and (iv) the occurrence of any transaction, the result of which is that the General Partner is no longer the sole general partner of the Borrower.

"Class" means, with respect to any Loan, whether such Loan is a Facility A Revolving Loan, Swingline Loan, Facility B Revolving Loan, or Facility C Revolving Loan.

"Code" means the Internal Revenue Code of 1986, as amended, and regulations promulgated thereunder.

"Commercial Letters of Credit" means commercial documentary letters of credit issued by an Issuing Bank pursuant to Article III.

"Commercial Letter of Credit Risk Participation Percentage" means, as of any date and based upon the Level of the Pricing Ratio on such date, the percentage per annum (expressed in basis points) set forth below opposite such Level:

Pricing Ratio	Commercial Letter of Credit Risk Participation Percentage
Level 1	15.50 b.p.
Level 2	18.50 b.p.
Level 3	22.50 b.p.
Level 4	30.00 b.p.
Level 5	35.00 b.p.
Level 6	45.00 b.p.

"Commitment Fee Rate" means, as of any date and based upon the Level of the Pricing Ratio on such date, the percentage per annum (expressed in basis points) set forth below opposite such Level:

Pricing Ratio	Commitment Fee Rate
Level 1	12.50 b.p.
Level 2	15.00 b.p.
Level 3	20.00 b.p.
Level 4	27.50 b.p.
Level 5	32.50 b.p.
Level 6	37.50 b.p.

"Compliance Certificate" means a certificate signed by a Responsible Officer of the Borrower substantially in the form of Exhibit C, demonstrating compliance with the covenants contained herein, including Sections 7.12, 7.13, 7.16 and 8.12 and the 30 day clean-up period contained in subsection 2.01(a)(ii).

"Consolidated Cash Flow" means, with respect to any Person for any period, the Consolidated Net Income of such Person for such period, plus (a) an amount equal to any extraordinary loss plus any net loss realized in connection with an asset sale, to the extent such losses were deducted in computing Consolidated Net Income, plus (b) provision for taxes based on income or profits of such Person for such period, to the extent such provision for taxes was deducted in computing Consolidated Net Income, plus (c) Consolidated Interest Expense of such Person for such period, whether paid or accrued (including amortization

of original issue discount, non-cash interest payments and the interest component of any payments associated with Capital Lease Obligations and net payments (if any) pursuant to Hedging Obligations), to the extent such expense was deducted in computing Consolidated Net Income, plus (d) depreciation and amortization (including amortization of goodwill and other intangibles but excluding amortization of prepaid cash expenses that were paid in a prior period) of such Person for such period, to the extent such depreciation and amortization were deducted in computing Consolidated Net Income, plus (e) non-cash employee compensation expenses of such Person for such period, plus (f) the Synthetic Lease Principal Component of such Person for such period; in each case, for such period without duplication on a consolidated basis and determined in accordance with GAAP.

"Consolidated Interest Expense" means, as of the last day of any fiscal period, on a consolidated basis, the sum of (a) all interest, fees (including Letter of Credit fees), charges and related expenses paid or payable (without duplication) for that fiscal period to the Banks hereunder or to any other lender in connection with borrowed money or the deferred purchase price of assets that are considered "interest expense" under GAAP, plus (b) the portion of rent paid or payable (without duplication) for that fiscal period under Capital Lease Obligations that should be treated as interest in accordance with Financial Accounting Standards Board Statement No. 13, on a consolidated basis, plus (c) the Synthetic Lease Interest Component for that fiscal period.

"Consolidated Net Income" means, with respect to any Person for any period, the aggregate of the Net Income of such Person and its Subsidiaries for such period, on a consolidated basis, determined in accordance with GAAP; provided, that (i) the Net Income of any Person that is not a Subsidiary or that is accounted for by the equity method of accounting shall be included only to the extent of the amount of dividends or distributions paid to such Person or a Wholly-Owned Subsidiary thereof, (ii) the Net Income of any Person that is a Subsidiary (other than a Wholly-Owned Subsidiary) shall be included only to the extent of the amount of dividends or distributions paid to such Person or a Wholly-Owned Subsidiary thereof, (iii) the Net Income of any Person acquired in a pooling of interests transaction for any period prior to the date of such acquisition shall be excluded except to the extent otherwise includable under clause (i) above and (iv) the cumulative effect of a change in accounting principles shall be excluded.

"Consolidated Net Worth" means, with respect to any Person as of any date, the sum of (i) the consolidated equity of the common stockholders or partners of such Person and its consolidated Subsidiaries as of such date, plus (ii) the respective amounts reported on such Person's balance sheet as of such date with respect to any series of preferred stock (other than Disqualified Interests) that by its terms is not entitled to the payment of dividends unless such dividends may be declared and paid only out of net earnings in respect of the year of such declaration and payment, but only to the extent of any cash received by such Person upon issuance of such preferred stock, less (x) all write-ups (other than write-ups resulting from foreign currency translations and write-ups of tangible assets of a going concern business made within 12 months after the acquisition of such business) subsequent to the Restatement Effective Date in the book value of any asset owned by such Person or a consolidated Subsidiary of such Person, (y) all investments as of such date in unconsolidated Subsidiaries and in Persons that are not Subsidiaries (except, in each case, Permitted Investments), and (z) all unamortized debt discount and expense and unamortized deferred charges as of such date, all of the foregoing determined in accordance with GAAP.

"Contingent Obligation" means, as to any Person, any direct or indirect liability of that Person, whether or not contingent, with or without recourse, (a) with respect to any Indebtedness, lease, dividend, distribution, letter of credit or other obligation (the "primary obligations") of another Person (the "primary obligor"), including any obligation of that Person (i) to purchase, repurchase or otherwise acquire such primary obligations or any security therefor, (ii) to advance or provide funds for the payment or discharge of any such primary obligation, or to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency or any balance sheet item, level of income or financial condition of the primary obligor, (iii) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation, or (iv) otherwise to assure or hold harmless the holder of any such primary obligation against loss in respect thereof (each, a "Guaranty Obligation"); (b) with respect to any Surety Instrument (other than any Letter of Credit) issued for the account of that Person or as to which that Person is otherwise liable for reimbursement of drawings or payments; (c) to purchase any materials, supplies or other property from, or to obtain the services of, another Person if the relevant contract or other related document or obligation requires that payment for such materials, supplies or other property, or for such services, shall be made regardless of whether delivery of such materials, supplies or other property is ever made or tendered, or such services are ever performed or tendered; or (d) in respect of any Hedging Obligation. The amount of any Contingent Obligation shall, in the case of Guaranty Obligations, be deemed equal to the stated or determinable amount of the primary obligation in respect of which such Guaranty Obligation is made or, if not stated or if indeterminable, the maximum reasonably anticipated liability in respect thereof, and in the case of other Contingent Obligations, shall be equal to the maximum reasonably anticipated liability in respect

thereof.

"Contractual Obligation" means, as to any Person, any provision of any security issued by such Person or of any agreement, undertaking, contract, indenture, mortgage, deed of trust or other instrument, document or agreement to which such Person is a party or by which it or any of its property is bound.

"Conversion/Continuation Date" means any date on which, under Section 2.04, the Borrower (a) converts Loans of one Type to another Type, or (b) continues as Loans of the same Type, but with a new Interest Period, Loans having Interest Periods expiring on such date.

"Credit Extension" means and includes (a) the making of any Loans hereunder and (b) the Issuance of any Letters of Credit hereunder.

"Default" means any event or circumstance which, with the giving of notice, the lapse of time, or both, would (if not cured or otherwise remedied during such time) constitute an Event of Default.

"Disqualified Interests" means any Capital Interests which, by their terms (or by the terms of any security into which they are convertible or for which they are exchangeable), or upon the happening of any event, mature or are mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder thereof, in whole or in part, on or prior to December 31, 2001.

"Documentation Agent" means NationsBank, N.A.

"Dollars", "dollars" and "$" each mean lawful money of the United States.

"Effective Amount" means (i) with respect to any Loans on any date, the aggregate outstanding principal amount thereof after giving effect to any Borrowings and prepayments or repayments of Loans occurring on such date; and (ii) with respect to any outstanding L/C Obligations on any date, the amount of such L/C Obligations on such date after giving effect to any Issuances of Letters of Credit occurring on such date and any other changes in the aggregate amount of the L/C Obligations as of such date, including as a result of any reimbursements of outstanding unpaid drawings under any Letters of Credit or any reductions in the maximum amount available for drawing under Letters of Credit taking effect on such date. For purposes of Section 2.07, the Effective Amount shall be determined without giving effect to any mandatory prepayments to be made under such Section 2.07.

"Eligible Assignee" means (i) a commercial bank organized under the laws of the United States, or any state thereof, and having a combined capital and surplus of at least $500,000,000; (ii) a commercial bank organized under the laws of any other country which is a member of the Organization for Economic Cooperation and Development (the "OECD"), or a political subdivision of any such country, and having a combined capital and surplus of at least $500,000,000, provided that such bank is acting through a branch or agency located in the United States; and (iii) a Person that is primarily engaged in the business of commercial banking and that is (A) a Subsidiary of a Bank, (B) a Subsidiary of a Person of which a Bank is a Subsidiary, or (C) a Person of which a Bank is a Subsidiary.

"Environmental Claims" means all claims, however asserted, by any Governmental Authority or other Person alleging potential liability or responsibility for violation of any Environmental Law, or for release or injury to the environment.

"Environmental Laws" means all federal, state or local laws, statutes, common law duties, rules, regulations, ordinances and codes, together with all administrative orders, directed duties, requests, licenses, authorizations and permits of, and agreements with, any Governmental Authorities, in each case relating to environmental, health, safety and land use matters.

"Equity Interests" means Capital Interests and all warrants, options or other rights to acquire Capital Interests (but excluding any debt security that is convertible into, or exchangeable for, Capital Interests).

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, and regulations promulgated thereunder.

"ERISA Event" means (a) a Reportable Event with respect to a Pension Plan; (b) a withdrawal by the Borrower or the General Partner from a Pension Plan subject to Section 4063 of ERISA during a plan year in which it was a substantial employer (as defined in Section 4001(a)(2) of ERISA) or a cessation of operations which is treated as such a withdrawal under Section 4062(e) of ERISA; (c) the filing of a notice of intent to terminate, the treatment of a plan amendment as a termination under Section 4041 or 4041A of ERISA or the commencement of proceedings by the PBGC to terminate a Pension Plan subject to Title IV of ERISA; (d) a failure by the Borrower or the General Partner to make required contributions to a Pension Plan or other Plan subject to Section 412 of the Code; (e) an event or condition which might reasonably be expected to constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Pension Plan; (f) the imposition of any liability under Title IV of ERISA, other than PBGC premiums due but not delinquent under Section 4007 of ERISA, upon the Borrower or the General Partner;

or (g) an application for a funding waiver or an extension of any amortization period pursuant to Section 412 of the Code with respect to any Pension Plan.

"Eurodollar Rate" shall mean, for each Interest Period in respect of Eurodollar Rate Loans comprising part of the same Borrowing, an interest rate per annum (rounded to the nearest 1/16th of 1% or, if there is no nearest 1/16th of 1%, rounded upward) determined pursuant to the following formula:

$$\text{Eurodollar Rate} = \frac{\text{LIBOR}}{1.00 - \text{Eurodollar Reserve Percentage}}$$

The Eurodollar Rate shall be adjusted automatically as of the effective date of any change in the Eurodollar Reserve Percentage.

"Eurodollar Rate Loan" means a Loan that bears interest based on the Eurodollar Rate.

"Eurodollar Reserve Percentage" shall mean the maximum reserve percentage (expressed as a decimal, rounded to the nearest 1/100th of 1% or, if there is no nearest 1/100th of 1%, rounded upward) in effect on the date LIBOR for such Interest Period is determined (whether or not applicable to any Bank) under regulations issued from time to time by the Federal Reserve Board for determining the maximum reserve requirement (including any emergency, supplemental or other marginal reserve requirement) with respect to Eurocurrency funding (currently referred to as "Eurocurrency liabilities") having a term comparable to such Interest Period. Without limiting the effect of the foregoing, the Eurodollar Reserve shall include any other reserves required to be maintained by any Bank with respect to (a) any category of liabilities that includes deposits by reference to which the Eurodollar Rate is to be determined as provided in the definition of "Eurodollar Rate" in this Section 1.01 or (b) any category of extensions of credit or other assets that includes Eurodollar Rate Loans.

"Event of Default" means any of the events or circumstances specified in Section 9.01.

"Exchange Act" means the Securities Exchange Act of 1934, and regulations promulgated thereunder.

"Existing Credit Agreement" means the Amended and Restated Credit Agreement, dated as of July 31, 1996, as amended prior to the Restatement Effective Date, among Borrower, the General Partner, the several financial institutions from time to time party thereto, Bank of America National Trust and Savings Association, as Agent, with NationsBank of Texas, N.A. as named Co-Agent thereunder.

"Existing Indebtedness" means Indebtedness of the Borrower and its Subsidiaries (other than the Obligations) and certain Indebtedness of the General Partner with respect to which the Borrower has assumed the General Partner's repayment obligations, in each case in existence on the Restatement Effective Date and as more fully set forth on Schedule 8.05.

"Existing Letters of Credit" means the letters of credit issued and outstanding on the Restatement Effective Date which are described in Schedule 3.03. Each of the Existing Letters of Credit is designated on such schedule as a standby letter of credit or a commercial documentary letter of credit.

"Facility A Commitment" means, as to each Bank, the amount set forth opposite such Bank's name on Schedule 2.01 hereof under the caption "Facility A Commitment," as the same may be reduced under Section 2.05 or 2.07 or as a result of one or more assignments under Section 11.08; provided, that the maximum aggregate Facility A Commitment of all Banks shall not exceed $40,000,000 at any time.

"Facility A Revolving Loan" has the meaning specified in subsection 2.01(a), and may be a Base Rate Loan or a Eurodollar Rate Loan.

"Facility B Commitment" means, as to each Bank, the amount set forth opposite such Bank's name on Schedule 2.01 hereof under the caption "Facility B Commitment," as the same may be reduced under Section 2.05 or 2.07 or as a result of one or more assignments under Section 11.08; provided, that the maximum aggregate Facility B Commitment of all Banks shall not exceed $50,000,000 at any time.

"Facility B Revolving Loan" has the meaning specified in subsection 2.01(b), and may be a Base Rate Loan or a Eurodollar Rate Loan.

"Facility C Commitment" means, as to each Bank, the amount set forth opposite such Bank's name on Schedule 2.01 hereof under the caption "Facility C Commitment," as the same may be reduced under Section 2.05 or 2.07 or as a result of one or more assignments under Section 11.08; provided, that the maximum aggregate Facility C Commitment of all Banks shall not exceed $55,000,000 at any time.

"Facility C Revolving Loan" has the meaning specified in subsection 2.01(c), and may be a Base Rate Loan or a Eurodollar Rate Loan.

"FDIC" means the Federal Deposit Insurance Corporation, and any Governmental Authority succeeding to any of its principal functions.

"Federal Funds Rate" means, for any day, the rate set forth in the weekly statistical release designated as H.15(519), or any successor publication, published by the Federal Reserve Bank of New York (including any such successor, "H.15(519)") on the preceding Business Day opposite the caption "Federal Funds (Effective)"; or, if for any relevant day such rate is not so published on any such preceding Business Day, the rate for such day will be the arithmetic mean as determined by the Administrative Agent of the rates for the last transaction in overnight Federal funds arranged prior to 9:00 a.m. (New York City time) on that day by each of three leading brokers of Federal funds transactions in New York City selected by the Administrative Agent.

"Fee Letter" has the meaning specified in subsection 2.10(a).

"FCI ESOT" means the employee stock ownership trust of Ferrell Companies, Inc. organized under section 4975(e)(7) of the Code.

"Ferrellgas Partners Finance Corp." means Ferrellgas Partners Finance Corp., a Delaware corporation and a Wholly-Owned Subsidiary of the MLP.

"Finance Corp." means Ferrellgas Finance Corp., a Delaware corporation and a Wholly-Owned Subsidiary of the Borrower.

"Fixed Charge Coverage Ratio" means with respect to any Person for any period, the ratio of Consolidated Cash Flow of such Person for such period to the Fixed Charges of such Person for such period. In the event that such Person or any of its Subsidiaries incurs, assumes, guarantees, redeems or repays any Indebtedness (other than revolving credit borrowings including, with respect to the Borrower, Swingline Loans, Facility A Revolving Loans, Facility B Revolving Loans and Facility C Revolving Loans) subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated but prior to the date of the event for which the calculation of the Fixed Charge Coverage Ratio is made (the "Calculation Date"), then the Fixed Charge Coverage Ratio shall be calculated giving pro forma effect to such incurrence, assumption, guarantee, redemption or repayment of Indebtedness, as if the same had occurred at the beginning of the applicable reference period. The foregoing calculation of the Fixed Charge Coverage Ratio shall also give pro forma effect to Acquisitions (including all mergers and consolidations), dispositions and discontinuances of businesses or assets that have been made by such Person or any of its Subsidiaries during the reference period or subsequent to such reference period and on or prior to the Calculation Date assuming that all such Acquisitions, dispositions and discontinuances of businesses or assets had occurred on the first day of the reference period; provided, however, that with respect to the Borrower, (a) Fixed Charges shall be reduced by amounts attributable to businesses or assets that are so disposed of or discontinued only to the extent that the obligations giving rise to such Fixed Charges would no longer be obligations contributing to the Fixed Charges of the Borrower subsequent to the Calculation Date and (b) Consolidated Cash Flow generated by an acquired business or asset shall be determined by the actual gross profit (revenues minus costs of goods sold) of such acquired business or asset during the immediately preceding number of full fiscal quarters as are in the reference period minus the pro forma expenses that would have been incurred by the Borrower in the operation of such acquired business or asset during such period computed on the basis of (i) personnel expenses for employees retained by the Borrower in the operation of the acquired business or asset and (ii) non-personnel costs and expenses incurred by the Borrower on a per gallon basis in the operation of the Borrower's business at similarly situated Borrower facilities.

"Fixed Charges" means, with respect to any Person for any period, the sum, without duplication, of (a) consolidated interest expense of such Person for such period, whether paid or accrued, to the extent such expense was deducted in computing Consolidated Net Income (including amortization of original issue discounts, non-cash interest payments, the interest component of all payments associated with Capital Lease Obligations and net payments (if any) pursuant to Hedging Obligations permitted hereunder), (b) commissions, discounts and other fees and charges incurred with respect to letters of credit, (c) any interest expense on Indebtedness of another Person that is guaranteed by such Person or secured by a Lien on assets of such Person, and (d) the product of (i) all cash dividend payments (and non-cash dividend payments in the case of a Person that is a Subsidiary) on any series of preferred stock of such Person, times (ii) a fraction, the numerator of which is one and the denominator of which is one minus the then current combined federal, state and local statutory tax rate of such Person, expressed as a decimal, determined, in each case, on a consolidated basis and in accordance with GAAP.

"Fixed Rate Senior Notes" means the 10% Series A Fixed Rate Senior Notes due 2001, as amended or supplemented from time to time, issued by the Borrower and Finance Corp. pursuant to the 1994 Indenture.

"FRB" means the Board of Governors of the Federal Reserve System, and any Governmental Authority succeeding to any of its principal functions.

"Funded Debt" means all Indebtedness of the Borrower and its Subsidiaries excluding all Contingent Obligations of the Borrower and its Subsidiaries under or in connection with Letters of Credit outstanding from time to time.

"GAAP" means generally accepted accounting principles set forth from time to time in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board (or agencies with similar functions of comparable stature and authority within the U.S. accounting profession), which are applicable to the circumstances as of the date of determination.

"General Partner" has the meaning specified in the introductory clause hereto.

"Governmental Authority" means any nation or government, any state or other political subdivision thereof, any central bank (or similar monetary or regulatory authority) thereof, any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, and any corporation or other entity owned or controlled, through stock or capital ownership or otherwise, by any of the foregoing.

"Growth-Related Capital Expenditures" means, with respect to any Person, all capital expenditures by such Person made to improve or enhance the existing capital assets or to increase the customer base of such Person or to acquire or construct new capital assets (but excluding capital expenditures made to maintain, up to the level thereof that existed at the time of such expenditure, the operating capacity of the capital assets of such Person as such assets existed at the time of such expenditure).

"Guarantor" means each Person that executes a Guaranty and its successors and assigns.

"Guaranty" means a continuing guaranty of the Obligations in favor of the Administrative Agent on behalf of the Banks, in form and substance satisfactory to the Administrative Agent.

"Guaranty Obligation" has the meaning specified in the definition of "Contingent Obligation."

"Hedging Obligations" means, with respect to any Person, the obligations of such Person under (i) interest rate swap agreements, interest rate cap agreements and interest rate collar agreements and (ii) other agreements or arrangements designed to protect such Person against fluctuations in interest rates.

"Honor Date" has the meaning specified in subsection 3.03(c).

"Indebtedness" of any Person means, without duplication, (a) all indebtedness for borrowed money; (b) all obligations issued, undertaken or assumed as the deferred purchase price of property or services (other than trade payables entered into in the ordinary course of business on ordinary terms); (c) all non-contingent reimbursement or payment obligations with respect to Surety Instruments; (d) all obligations evidenced by notes, bonds, debentures or similar instruments, including obligations so evidenced incurred in connection with the acquisition of property, assets or businesses; (e) all indebtedness created or arising under any conditional sale or other title retention agreement, or incurred as financing, in either case with respect to property acquired by the Person (even though the rights and remedies of the seller or bank under such agreement in the event of default are limited to repossession or sale of such property); (f) all Capital Lease Obligations; (g) all Hedging Obligations; (h) all indebtedness referred to in clauses (a) through (g) above secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien upon or in property (including accounts and contracts rights) owned by such Person, even though such Person has not assumed or become liable for the payment of such Indebtedness; and (i) all Guaranty Obligations in respect of indebtedness or obligations of others of the kinds referred to in clauses (a) through (h) above; provided, however, that "Indebtedness" shall not include Synthetic Lease Obligations.

"Indemnified Liabilities" has the meaning specified in Section 11.05.

"Indemnified Person" has the meaning specified in Section 11.05.

"Independent Auditor" has the meaning specified in subsection 7.01(a).

"Ineligible Securities" means securities which may not be underwritten or dealt in by member banks of the Federal Reserve System under Section 16 of the Banking Act of 1933 (12 U.S.C. ss. 24, Seventh), as amended.

"Insolvency Proceeding" means (a) any case, action or proceeding before any court or other Governmental Authority relating to bankruptcy, reorganization, insolvency, liquidation, receivership, dissolution, winding-up or relief of debtors, or (b) any general assignment for the benefit of creditors, composition, marshalling of assets for creditors, or other similar arrangement in respect of a Person's creditors generally or any substantial portion of a Person's creditors; undertaken under U.S.
Federal, state or foreign law, including the Bankruptcy Code.

"Interest Coverage Ratio" means with respect to any Person for

any period, the ratio of Consolidated Cash Flow of such Person for such period to Consolidated Interest Expense of such Person for such period. The foregoing calculation of the Interest Coverage Ratio shall give pro forma effect to Acquisitions (including all mergers and consolidations), Asset Sales and other dispositions and discontinuances of businesses or assets that have been made by such Person or any of its Subsidiaries during the reference period or subsequent to such reference period and on or prior to the date of calculation of the Interest Coverage Ratio assuming that all such Acquisitions, Asset Sales and other dispositions and discontinuances of businesses or assets had occurred on the first day of the reference period; provided, however, that with respect to the Borrower and its Subsidiaries, Consolidated Cash Flow generated by an acquired business or asset shall be determined by the actual gross profit (revenues minus costs of goods sold) of such acquired business or asset during the immediately preceding number of full fiscal quarters as in the reference period minus the pro forma expenses that would have been incurred by the Borrower and its Subsidiaries in the operation of such acquired business or asset during such period computed on the basis of (i) personnel expenses for employees retained by the Borrower and its Subsidiaries in the operation of the acquired business or asset and (ii) non-personnel costs and expenses incurred by the Borrower and its Subsidiaries on a per gallon basis in the operation of the Borrower's business at similarly situated facilities of the Borrower.

"Interest Payment Date" means, as to any Eurodollar Rate Loan, the last day of each Interest Period applicable to such Loan and, as to any Base Rate Loan, the first Business Day of each fiscal quarter of the Borrower; provided, however, that if any Interest Period for a Eurodollar Rate Loan exceeds three months, the date that is three months after the beginning of such Interest Period and after each Interest Payment Date thereafter is also an Interest Payment Date, provided, further, that if there is no numerically corresponding day in the calendar month during which an Interest Payment Date is to occur, such Interest Payment Date shall occur on the last Business Day of such calendar month.

"Interest Period" means, as to any Eurodollar Rate Loan, the period commencing on the Borrowing Date of such Loan or on the Conversion/Continuation Date on which the Loan is converted into or continued as a Eurodollar Rate Loan, and ending on the date one, two, three or six months thereafter as selected by the Borrower in its Notice of Borrowing or Notice of Conversion/Continuation;

provided that:

(i) if any Interest Period would otherwise end on a day that is not a Business Day, that Interest Period shall be extended to the following Business Day unless the result of such extension would be to carry such Interest Period into another calendar month, in which event such Interest Period shall end on the preceding Business Day;

(ii) any Interest Period that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of the calendar month at the end of such Interest Period; and

(iii) no Interest Period for any Revolving Loan shall extend beyond the Revolving Loan Termination Date.

"IRS" means the Internal Revenue Service, and any Governmental Authority succeeding to any of its principal functions.

"Issuance Date" has the meaning specified in subsection 3.01(a).

"Issue" means, with respect to any Letter of Credit, to issue or to extend the expiry of, or to renew or increase the amount of, such Letter of Credit; and the terms "Issued," "Issuing" and "Issuance" have corresponding meanings.

"Issuing Banks" means BofA and Paribas in their respective capacities as issuers of one or more Letters of Credit hereunder.

"Joint Venture" means a single-purpose corporation, partnership, joint venture or other similar legal arrangement (whether created by contract or conducted through a separate legal entity) now or hereafter formed by the Borrower or any of its Subsidiaries with another Person in order to conduct a common venture or enterprise with such Person.

"L/C Advance" means each Bank's participation in any L/C Borrowing in accordance with its Pro Rata Share.

"L/C Amendment Application" means an application form for amendment of outstanding Standby Letters of Credit or Commercial Letters of Credit as shall at any time be in use at the applicable Issuing Bank, as such Issuing Bank shall request.

"L/C Application" means an application form for issuances of Standby Letters of Credit or Commercial Letters of Credit as shall at any time be in use at the applicable Issuing Bank, as such Issuing Bank shall request.

"L/C Borrowing" means an extension of credit resulting from a drawing under any Letter of Credit which shall not have been reimbursed on the date when made nor converted into a Borrowing of Facility B

Revolving Loans under subsection 3.03(c).

"L/C Commitment" means the commitment of the Issuing Banks to Issue, and the commitment of the Banks severally to participate in, Letters of Credit from time to time Issued or outstanding under Article III, in an aggregate amount not to exceed on any date the lesser of $50,000,000 and the aggregate Facility B Commitment, as such amount may be reduced as a result of a reduction in the L/C Commitment pursuant to Section 2.05; provided that the L/C Commitment is a part of the aggregate Facility B Commitment, rather than a separate, independent commitment.

"L/C Obligations" means at any time the sum of (a) the aggregate undrawn amount of all Letters of Credit then outstanding, plus (b) the amount of all unreimbursed drawings under all Letters of Credit, including all outstanding L/C Borrowings, plus (c) all other Obligations of the Borrower under or in connection with the L/C-Related Documents, to the extent not included within clauses (a) and (b) hereof.

"L/C-Related Documents" means the Letters of Credit, the L/C Applications, the L/C Amendment Applications and any other document relating to any Letter of Credit, including any of the Issuing Banks' standard form reimbursement agreements and other documents for letter of credit issuances.

"Lending Office" means, as to any Bank, the office or offices of such Bank specified as its "Lending Office" or "Domestic Lending Office" or "Eurodollar Lending Office", as the case may be, on Schedule 11.02, or such other office or offices as such Bank may from time to time notify the Borrower and the Administrative Agent.

"Letters of Credit" means, collectively, Standby Letters of Credit and Commercial Letters of Credit.

"Level" means, at any time, Level 1, Level 2, Level 3, Level 4, Level 5 or Level 6 based on the amount of the Pricing Ratio at such time. For purposes of this Agreement, the following "Levels" of Pricing Ratio (PR) shall apply:

Level	Pricing Ratio
Level 1	PR LT 1.75
Level 2	1.75 LT PR LT 2.75
Level 3	2.75 LT PR LT 3.25
Level 4	3.25 LT PR LT 3.75
Level 5	3.75 LT PR LT 4.25
Level 6	PR LT 4.25

The Level of the Pricing Ratio for the period from the Restatement Effective Date to the end of the fiscal quarter of the Borrower during which the Restatement Effective Date occurs shall be equal to Level 4. Any change in the Level of the Pricing Ratio shall be determined by the Administrative Agent based upon the financial information required to be contained in the Compliance Certificates delivered by the Borrower to the Administrative Agent with respect to each fiscal quarter of the Borrower and shall become effective as of the first day of the fiscal quarter following the fiscal quarter for which such Compliance Certificate was delivered. Upon any failure of the Borrower to deliver a Compliance Certificate for any fiscal quarter prior to 10 days after the date on which such Compliance Certificate is required to be delivered to the Administrative Agent, and without limiting the other rights and remedies of the Administrative Agent and the Banks hereunder, the Pricing Ratio shall be deemed to be Level 6 as of the first day of the fiscal quarter beginning after the fiscal quarter for which such Compliance Certificate was due.

"Leverage Ratio" means, with respect to any Person for any period, the ratio of Funded Debt plus Synthetic Lease Obligations, in each case of such Person as of the last day of such period, to Consolidated Cash Flow of such Person for such period. In the event that such Person or any of its Subsidiaries incurs, assumes, guarantees, redeems or repays any Indebtedness (other than revolving credit borrowings) subsequent to the commencement of the period for which the Leverage Ratio is being calculated but prior to the date on which the calculation of the Leverage Ratio is made (the "Leverage Ratio Calculation Date"), then the Leverage Ratio shall be calculated giving pro forma effect to such incurrence, assumption, guarantee, redemption or repayment of Indebtedness, as if the same had occurred at the beginning of the applicable reference period. The foregoing calculation of the Leverage Ratio shall also give pro forma effect to Acquisitions (including all mergers and consolidations), Asset Sales and other dispositions and discontinuances of businesses or assets that have been made by such Person or any of its Subsidiaries during the reference period or subsequent to such reference period and on or prior to the Leverage Ratio Calculation Date assuming that all such Acquisitions, Asset Sales and other dispositions and discontinuances of businesses or assets had occurred on the first day of the reference period; provided, however, that with respect to the Borrower and its Subsidiaries, (a) Funded Debt shall be reduced by amounts attributable to businesses or assets that are so disposed of or discontinued only to the extent that the Indebtedness included within such Funded Debt would no longer be an obligation of the Borrower or its Subsidiaries

subsequent to the Leverage Ratio Calculation Date and (b) Consolidated Cash Flow generated by an acquired business or asset shall be determined by the actual gross profit (revenues minus costs of goods sold) of such acquired business or asset during the immediately preceding number of full fiscal quarters as in the reference period minus the pro forma expenses that would have been incurred by the Borrower and its Subsidiaries in the operation of such acquired business or asset during such period computed on the basis of (i) personnel expenses for employees retained by the Borrower and its Subsidiaries in the operation of the acquired business or asset and (ii) non-personnel costs and expenses incurred by the Borrower and its Subsidiaries on a per gallon basis in the operation of the Borrower's business at similarly situated facilities of the Borrower.

"LIBOR" means the rate of interest per annum determined by the Administrative Agent to be the arithmetic mean (rounded upward to the next 1/16th of 1%) of the rates of interest per annum notified to the Administrative Agent by BofA as the rates of interest at which dollar deposits in the approximate amount of the amount of the Loan to be made or continued as, or converted into, a Eurodollar Rate Loan by BofA and having a maturity comparable to such Interest Period would be offered to major banks in the London interbank market at their request at approximately 11:00 a.m. (London time) two Business Days prior to the commencement of such Interest Period.

"Lien" means any security interest, mortgage, deed of trust, pledge, hypothecation, assignment, charge or deposit arrangement, encumbrance, lien (statutory or other) or preferential arrangement of any kind or nature whatsoever in respect of any property (including those created by, arising under or evidenced by any conditional sale or other title retention agreement, the interest of a lessor under a capital lease, any financing lease having substantially the same economic effect as any of the foregoing, or the filing of any financing statement naming the owner of the asset to which such lien relates as debtor, under the Uniform Commercial Code or any comparable law) and any contingent or other agreement to provide any of the foregoing, but not including the interest of a lessor under an operating lease.

"Loan" means an extension of credit by a Bank to the Borrower under Article II or Article III in the form of a Facility A Revolving Loan, Facility B Revolving Loan, Facility C Revolving Loan, L/C Advance or (in the case of BofA) Swingline Loan.

"Loan Documents" means this Agreement, any Notes, the Fee Letters, the L/C-Related Documents, the Guaranties and all other documents delivered to the Administrative Agent or any Bank in connection herewith.

"Majority Banks" means at any time Banks then holding more than 50% of the then aggregate unpaid principal amount of the Loans (other than the Swingline Loans), or, if no such principal amount is then outstanding, Banks then having more than 50% of the aggregate Revolving Loan Commitments.

"Margin Stock" means "margin stock" as such term is defined in Regulation U of the FRB.

"Material Adverse Effect" means (a) a material adverse change in, or a material adverse effect upon, the operations, business, properties, condition (financial or otherwise) or prospects of the Borrower or the Borrower and its Subsidiaries taken as a whole; (b) a material impairment of the ability of the General Partner, the Borrower or any Subsidiary to perform under any Loan Document or otherwise to avoid any Event of Default; or (c) a material adverse effect upon the legality, validity, binding effect or enforceability against the Borrower or any Subsidiary of any Loan Document.

"MLP" means Ferrellgas Partners, L.P., a Delaware limited partnership and the sole limited partner of the Borrower.

"MLP Senior Notes" means the $160,000,000 9-3/8% Senior Secured Notes issued by the MLP and Ferrellgas Partners Finance Corp. pursuant to the 1996 Indenture.

"Net Income" means, with respect to any Person, the net income (loss) of such Person, determined in accordance with GAAP and before any reduction in respect of preferred stock dividends, excluding, however, (a) any gain (but not loss), together with any related provision for taxes on such gain (but not loss), realized in connection with (i) any asset sale (including, without limitation, dispositions pursuant to sale and leaseback transactions), or (ii) the disposition of any securities or the extinguishment of any Indebtedness of such Person or any of its Subsidiaries, and (b) any extraordinary gain (but not loss), together with any related provision for taxes on such extraordinary gain (but not loss); provided, however, that all costs and expenses with respect to the redemption of the Fixed Rate Senior Notes, including, without limitation, cash premiums, tender offer premiums, consent payments and all fees and expenses in connection therewith, shall be added back to the Net Income of the Borrower, the General Partner or their Subsidiaries to the extent that they were deducted from such Net Income in accordance with GAAP.

"Net Proceeds of Asset Sale" means the aggregate cash proceeds received by the Borrower or any of its Subsidiaries in respect of any Asset Sale, net of the direct costs relating to such Asset Sale (including, without limitation, legal, accounting and investment banking fees, and sales commissions) and any relocation expenses incurred as a result thereof, taxes paid or payable as a result thereof

(after taking into account any available tax credits or deductions and any tax sharing arrangements), and amounts required to be applied to the repayment of Indebtedness secured by a Lien on the asset or assets the subject of such Asset Sale.

"Non-Recourse Subsidiary" means any Person that would otherwise be a Subsidiary of the Borrower but is designated as a Non-Recourse Subsidiary in a resolution of the Board of Directors of the General Partner, so long as each of the following remains true: (a) no portion of the Indebtedness or any other obligation (contingent or otherwise) of such Person (i) is a Contingent Obligation of the Borrower or any of its Subsidiaries, (ii) is recourse or obligates the Borrower or any of its Subsidiaries in any way or (iii) subjects any property or asset of the Borrower or any of its Subsidiaries, directly or indirectly, contingently or otherwise, to satisfaction thereof, (b) neither the Borrower nor any of its Subsidiaries has any contract, agreement, arrangement or understanding or is subject to an obligation of any kind, written or oral, with such Person other than on terms no less favorable to the Borrower and its Subsidiaries than those that might be obtained at the time from persons who are not Affiliates of the Borrower, (c) neither the Borrower nor any of its Subsidiaries has any obligation with respect to such Person (i) to subscribe for additional shares of capital stock, Capital Interests or other Equity Interests therein or (ii) maintain or preserve such Person's financial condition or to cause such Person to achieve certain levels of operating or other financial results, (d) such Person has no more than $1,000 of assets at the time of such designation, (e) such Person is in compliance with the restrictions applicable to Affiliates of the MLP under Section 8.22 hereof and (f) such Person takes steps designed to assure that neither the Borrower nor any of its Subsidiaries will be liable for any portion of the Indebtedness or other obligations of such Person, including maintenance of a corporate or limited partnership structure and observance of applicable formalities such as regular meetings and maintenance of minutes, a substantial and meaningful capitalization and the use of a corporate or partnership name, trade name or trademark not misleadingly similar to those of the Borrower.

"Note" means a promissory note executed by the Borrower in favor of a Bank pursuant to subsection 2.02(b), in substantially the form of Exhibit F-1, F-2 or F-3.

"Notice of Borrowing" means a notice in substantially the form of Exhibit A.

"Notice of Conversion/Continuation" means a notice in substantially the form of Exhibit B.

"Obligations" means all advances, debts, liabilities, obligations, covenants and duties arising under any Loan Document, owing by the Borrower to any Bank, the Administrative Agent, or any Indemnified Person, whether direct or indirect (including those acquired by assignment), absolute or contingent, due or to become due, now existing or hereafter arising including, without limitation, all Indebtedness of the Borrower to the Banks for the payment of principal of and interest on all outstanding Loans and all obligations of the Borrower to the Issuing Banks for reimbursement of drawings under Letters of Credit from time to time.

"Organization Documents" means, for any corporation, the certificate or articles of incorporation, the bylaws, any certificate of determination or instrument relating to the rights of preferred shareholders of such corporation, any shareholder rights agreement, and all applicable resolutions of the board of directors (or any committee thereof) of such corporation and, for any general or limited partnership, the partnership agreement of such partnership and all amendments thereto and any agreements otherwise relating to the rights of the partners thereof.

"Other Taxes" means any present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies which arise from any payment made hereunder or from the execution, delivery or registration of, or otherwise with respect to, this Agreement or any other Loan Documents.

"Participant" has the meaning specified in subsection 11.08(d).

"Partners' Equity" means the partners' equity as shown on a balance sheet prepared in accordance with GAAP for any partnership.

"Partnership Agreement" shall mean the Agreement of Limited Partnership of the Borrower dated July 5, 1994, as amended from time to time in accordance with the terms of this Agreement.

"PBGC" means the Pension Benefit Guaranty Corporation, or any Governmental Authority succeeding to any of its principal functions under ERISA.

"Pension Plan" means a pension plan (as defined in Section 3(2) of ERISA) subject to Title IV of ERISA which the Borrower or the General Partner sponsors, maintains, or to which it makes, is making, or is obligated to make contributions, or in the case of a multiple employer plan (as described in Section 4064(a) of ERISA) has made contributions at any time during the immediately preceding five (5) plan years.

"Permitted Acquisitions" means Acquisitions by the Borrower and its Subsidiaries which comply with the provisions of Section 8.04.

"Permitted Investments" means (a) any Investments in Cash Equivalents; (b) any Investments in the Borrower or in a Wholly-Owned Subsidiary of the Borrower that is a Guarantor; (c) Investments by the Borrower or any Subsidiary of the Borrower in a Person, if as a result of such Investment (i) such Person becomes a Wholly-Owned Subsidiary of the Borrower and a Guarantor or (ii) such Person is merged, consolidated or amalgamated with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, the Borrower or a Wholly-Owned Subsidiary of the Borrower that is a Guarantor; and (d) other Investments in Non-Recourse Subsidiaries of the Borrower that do not exceed $30 million in the aggregate.

"Permitted Liens" has the meaning specified in Section 8.01.

"Permitted Refinancing Indebtedness" means any Indebtedness of the Borrower or any Subsidiary of the Borrower issued in exchange for, or the net proceeds of which are used to extend, refinance, renew, replace, defease or refund other Indebtedness of the Borrower or any of its Subsidiaries; provided that (a) the principal amount of such Indebtedness does not exceed the principal amount of the Indebtedness so extended, refinanced, renewed, replaced, defeased or refunded (the "Prior Indebtedness") (plus the amount of reasonable expenses incurred in connection therewith), and the effective interest rate per annum on such Indebtedness does not or is not likely to exceed the effective interest rate per annum of the Prior Indebtedness, as determined by the Administrative Agent in its sole discretion; (b) such Indebtedness has a Weighted Average Life to Maturity equal to or greater than the Weighted Average Life to Maturity of the Prior Indebtedness; (c) if the Prior Indebtedness is subordinated to the Obligations, such Indebtedness is subordinated to the Obligations on the terms and conditions set forth on part II of Schedule 8.05; and (d) such Indebtedness is incurred by the Borrower or the Subsidiary who is the obligor on the Prior Indebtedness.

"Person" means an individual, partnership, corporation, business trust, joint stock company, trust, unincorporated association, Joint Venture or Governmental Authority.

"Plan" means an employee benefit plan (as defined in Section 3(3) of ERISA) which the Borrower sponsors or maintains or to which the Borrower or the General Partner makes, is making, or is obligated to make contributions and includes any Pension Plan.

"Pricing Ratio" means, as of the last day of each fiscal quarter of the Borrower, the Leverage Ratio for the fiscal period consisting of such fiscal quarter of the Borrower and the three immediately preceding fiscal quarters of the Borrower.

"Pro Rata Share" means, as to any Bank at any time, the percentage set forth on Schedule 2.01 hereto as its "Pro Rata Share," as such amount may be adjusted by assignments under Section 11.08.

"Related Party" means (i) the spouse or any lineal descendant of James E. Ferrell, (ii) any trust for his benefit or for the benefit of his spouse or any such lineal descendants, (iii) any corporation, partnership or other entity in which James E. Ferrell and/or such other Persons referred to in the foregoing clauses (i) and (ii) are the direct record and beneficial owners of all of the voting and nonvoting Equity Interests, (iv) the FCI ESOT or (v) any participant in the FCI ESOT whose ESOT account has been allocated shares of Ferrell Companies, Inc.

"Reportable Event" means any of the events set forth in Section 4043(b) of ERISA or the regulations thereunder, other than any such event for which the 30-day notice requirement under ERISA has been waived in regulations issued by the PBGC.

"Requirement of Law" means, as to any Person, any law (statutory or common), treaty, rule or regulation or determination of an arbitrator or of a Governmental Authority, in each case applicable to or binding upon the Person or any of its property or to which the Person or any of its property is subject.

"Responsible Officer" means the chief executive officer or the president of the General Partner or any other officer having substantially the same authority and responsibility to act for the General Partner on behalf of the Borrower; or, with respect to actions taken or to be taken under Articles II and III and compliance with financial covenants, the chief financial officer or the treasurer of the General Partner or any other officer having substantially the same authority and responsibility to act for the General Partner on behalf of the Borrower or any other employee of the General Partner designated in a certificate of a Responsible Officer to have authority in such matters.

"Restatement Effective Date" means the later to occur of (a) the first date on which all conditions precedent set forth in Section 5.01 and Section 5.02 are satisfied or waived by all Banks (or, in the case of subsection 5.01(f), waived by the Persons entitled to receive such payments) and (b) August 3, 1998.

"Revolving Loan Commitments" means, as to each Bank, the Facility A Commitment, the Facility B Commitment and the Facility C Commitment of such Bank.

"Revolving Loans" means, collectively, the Facility A Revolving Loans, the Facility B Revolving Loans and the Facility C Revolving Loans.

"Revolving Loan Termination Date" means the earlier of (a) July 2, 2001 (or such later date to which the Revolving Loan Termination Date may be extended pursuant to subsection 2.08(d) of this Agreement) and (b) the date on which the Revolving Loan Commitments shall have been terminated pursuant to this Agreement.

"SEC" means the Securities and Exchange Commission, or any Governmental Authority succeeding to any of its principal functions.

"Significant Subsidiary" means any Subsidiary of the Borrower that would be a "significant subsidiary" as defined in Article 1, Rule 1-02 of Regulation S-X, promulgated pursuant to the Securities Act of 1933, as such Regulation is in effect on the date hereof.

"Solvent" shall mean, with respect to any Person on any date, that on such date (a) the fair value of the property of such Person is greater than the fair value of the liabilities (including, without limitation, contingent liabilities) of such Person, (b) such Person does not intend to, and does not believe that it will, incur debts and liabilities beyond such Person's ability to pay as such debts and liabilities mature and (c) such Person is not engaged in business or a transaction, and is not about to engage in a business or a transaction, for which such Person's property would constitute an unreasonably small capital.

"Standby Letters of Credit" means standby letters of credit Issued by an Issuing Bank pursuant to Article III.

"Standby Letter of Credit Risk Participation Percentage" means, as of any date and based upon the Level of the Pricing Ratio on such date, the percent per annum (expressed in basis points) set forth below opposite such Level:

Pricing Ratio	Standby Letter of Credit Risk Participation Percentage
Level 1	42.50 b.p.
Level 2	50.00 b.p.
Level 3	60.00 b.p.
Level 4	80.00 b.p.
Level 5	110.00 b.p.
Level 6	137.50 b.p.

"Subsidiary" means, with respect to any Person, any corporation, association or other business entity of which more than 50% of the total voting power of shares of Capital Interests entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof (or, in the case of a limited partnership, more than 50% of either the general partners' Capital Interests or the limited partners' Capital Interests) is at the time owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof. Notwithstanding the foregoing, any Subsidiary of the Borrower that is designated a Non-Recourse Subsidiary pursuant to the definition thereof shall, for so long as all of the statements in the definition thereof remain true, not be deemed a Subsidiary of the Borrower.

"Surety Instruments" means all letters of credit (including standby and commercial), bankers' acceptances, bank guaranties, shipside bonds, surety bonds and similar instruments.

"Swingline Loan" has the meaning specified in Section 2.15.

"Synthetic Lease" means each arrangement, however described, under which the obligor accounts for its interest in the property covered thereby under GAAP as lessee of a lease which is not a Capital Lease and accounts for its interest in the property covered thereby for Federal income tax purposes as the owner.

"Synthetic Lease Interest Component" means, with respect to any Person for any period, the portion of rent paid or payable (without duplication) for such period under Synthetic Leases of such Person that would be treated as interest in accordance with Financial Accounting Standards Board Statement No. 13 if such Synthetic Leases were treated as Capital Leases under GAAP.

"Synthetic Lease Obligation" means, as to any Person with respect to any Synthetic Lease at any time of determination, the amount of the liability of such Person in respect of such Synthetic Lease that would (if such lease was required to be classified and accounted for as a capital lease on a balance sheet of such Person in accordance with GAAP) be required to be capitalized on the balance sheet of such Person at such time.

"Synthetic Lease Principal Component" means, with respect to any Person for any period, the portion of rent (exclusive of the Synthetic Lease Interest Component) paid or payable (without duplication) for such period under Synthetic Leases of such Person that was deducted in calculating Consolidated Net Income of such Person for such period.

"Taxes" means any and all present or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, excluding, in the case of each Bank and the Administrative Agent, such taxes (including income taxes or franchise taxes) as are imposed on or measured by each Bank's net income by the jurisdiction (or any political subdivision thereof) under the laws of which such Bank or the Administrative Agent, as the case may be, is

organized or maintains a lending office.

"Type" means, with respect to any Loan, whether such Loan is a Base Rate Loan or a Eurodollar Rate Loan.

"UCP" has the meaning specified in Section 3.09.

"Unfunded Pension Liability" means the excess of a Plan's benefit liabilities under Section 4001(a)(16) of ERISA, over the current value of that Plan's assets, determined in accordance with the assumptions used for funding the Pension Plan pursuant to Section 412 of the Code for the applicable plan year.

"United States" and "U.S." each means the United States of America.

"Weighted Average Life to Maturity" means, when applied to any Indebtedness at any date, the number of years obtained by dividing (a) the sum of the products obtained by multiplying (x) the amount of each then remaining installment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect thereof, by (y) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment, by (b) the then outstanding principal amount of such Indebtedness; provided, however, that with respect to any revolving Indebtedness, the foregoing calculation of Weighted Average Life to Maturity shall be determined based upon the total available commitments and the required reductions of commitments in lieu of the outstanding principal amount and the required payments of principal, respectively.

"Wholly-Owned Subsidiary" means a Subsidiary of which all of the outstanding Capital Interests or other ownership interests (other than directors' qualifying shares) or, in the case of a limited partnership, all of the partners' Capital Interests (other than up to a 1% general partner interest), is owned, beneficially and of record, by the Borrower, a Wholly-Owned Subsidiary of the Borrower or both.

1.02 Other Interpretive Provisions

(a) The meanings of defined terms are equally applicable to the singular and plural forms of the defined terms.

(b) The words "hereof", "herein", "hereunder" and similar words refer to this Agreement as a whole and not to any particular provision of this Agreement; and subsection, Section, Schedule and Exhibit references are to this Agreement unless otherwise specified.

(c) (i) The term "documents" includes any and all instruments, documents, agreements, certificates, indentures, notices and other writings, however evidenced.

(ii) The term "including" is not limiting and means "including without limitation."

(iii) In the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including"; the words "to" and "until" each mean "to but excluding", and the word "through" means "to and including."

(d) Unless otherwise expressly provided herein, (i) references to agreements (including this Agreement) and other contractual instruments shall be deemed to include all subsequent amendments and other modifications thereto, but only to the extent such amendments and other modifications are not prohibited by the terms of any Loan Document, and (ii) references to any statute or regulation are to be construed as including all statutory and regulatory provisions consolidating, amending, replacing, supplementing or interpreting the statute or regulation.

(e) The captions and headings of this Agreement are for convenience of reference only and shall not affect the interpretation of this Agreement.

(f) This Agreement and other Loan Documents may use several different limitations, tests or measurements to regulate the same or similar matters. All such limitations, tests and measurements are cumulative and shall each be performed in accordance with their terms.

(g) Unless otherwise expressly provided herein, financial calculations applicable to the Borrower shall be made on a consolidated basis.

(h) This Agreement and the other Loan Documents are the result of negotiations among and have been reviewed by counsel to the Administrative Agent, the Borrower and the other parties, and are the products of all parties. Accordingly, they shall not be construed against the Banks or the Administrative Agent merely because of the Administrative Agent's or Banks' involvement in their preparation.

1.03 Accounting Principles

(a) Unless the context otherwise clearly requires, all accounting terms not expressly defined herein shall be construed, and all financial computations required under this Agreement shall be made, in accordance with GAAP, consistently applied. In the event that GAAP changes during the term of this Agreement such that the covenants contained in Section 7.12 would then be calculated in a different manner or with different components, (i) the Borrower and the Banks agree to amend this Agreement in such respects as are necessary to conform those covenants as criteria for evaluating Borrower's financial condition to substantially the same criteria as were

effective prior to such change in GAAP and (ii) the Borrower shall be deemed to be in compliance with the covenants contained in Section 7.12 during the 90-day period following any such change in GAAP if and to the extent that the Borrower would have been in compliance therewith under GAAP as in effect immediately prior to such change.

(b) Except as otherwise specified, references herein to "fiscal year" and "fiscal quarter" refer to such fiscal periods of the Borrower.

ARTICLE II

THE CREDITS

2.01 Amounts and Terms of Revolving Loan Commitments

(a) Facility A Revolving Loans.

(i) Each Bank severally agrees, on the terms and subject to the conditions set forth herein, to make loans to the Borrower (each such loan, a "Facility A Revolving Loan") from time to time on any Business Day during the period from the Restatement Effective Date to the Revolving Loan Termination Date, in an aggregate principal amount not to exceed at any time outstanding such Bank's Facility A Commitment as in effect from time to time; provided, however, that, after giving effect to any Borrowing of Facility A Revolving Loans, the Effective Amount of all outstanding Facility A Revolving Loans shall not at any time exceed the combined Facility A Commitments, and the Effective Amount of the Facility A Revolving Loans of any Bank shall not at any time exceed such Bank's Facility A Commitment.

(ii) Within the limits of each Bank's Facility A Commitment and on the other terms and subject to the other conditions hereof, the Borrower may borrow under this subsection 2.01(a), prepay under Section 2.06 and reborrow under this subsection 2.01(a); provided, that the Borrower shall cause the aggregate outstanding principal amount of Facility A Revolving Loans to be reduced to zero for at least one period of 30 consecutive days during each fiscal year of the Borrower, commencing with its fiscal year beginning August 1, 1998.

(b) Facility B Revolving Loans and Letters of Credit. (i) Each Bank severally agrees, on the terms and subject to the conditions set forth herein, to make loans to the Borrower (each such loan, a "Facility B Revolving Loan") from time to time on any Business Day during the period from the Restatement Effective Date to the Revolving Loan Termination Date, in an aggregate principal amount not to exceed at any time outstanding such Bank's Facility B Commitment as in effect from time to time; provided, however, that, after giving effect to any Borrowing of Facility B Revolving Loans, the sum of the Effective Amount of all outstanding Facility B Revolving Loans plus the Effective Amount of all L/C Obligations shall not at any time exceed the combined Facility B Commitments, and the Effective Amount of the Facility B Revolving Loans of any Bank plus the participation of such Bank in the Effective Amount of all L/C Obligations shall not at any time exceed such Bank's Facility B Commitment.

(ii) Within the limits of each Bank's Facility B Commitment and on the other terms and subject to the other conditions hereof, the Borrower may borrow under this subsection 2.01(b), prepay under Section 2.06 and reborrow under this subsection 2.01(b).

(iii) As a subfacility of the Banks' Facility B Commitments, the Borrower may request the Issuing Banks to Issue Letters of Credit from time to time pursuant to Article III. On the Restatement Effective Date, all Existing Letters of Credit shall be Letters of Credit hereunder and shall constitute usage of the Facility B Commitment under this Agreement.

(c) Facility C Revolving Loans and Swingline Loans.

(i) Each Bank severally agrees, on the terms and subject to the conditions set forth herein, to make loans to the Borrower (each such loan, a "Facility C Revolving Loan") from time to time on any Business Day during the period from the Restatement Effective Date to the Revolving Loan Termination Date, in an aggregate principal amount not to exceed at any time outstanding such Bank's Facility C Commitment as in effect from time to time; provided, however, that, after giving effect to any Borrowing of Facility C Revolving Loans, the sum of the Effective Amount of all outstanding Facility C Revolving Loans plus the Effective Amount of all Swingline Loans shall not at any time exceed the combined Facility C Commitments, and the Effective Amount of the Facility C Revolving Loans of any Bank plus such Bank's Pro Rata Share of the Effective Amount of all outstanding Swingline Loans shall not at any time exceed such Bank's Facility C Commitment. On the Restatement Effective Date, the aggregate outstanding principal amount of the Facility A Revolving Loans, Facility C Revolving Loans and Swingline Loans, in each case under (and as defined in) the Existing Credit Agreement shall be automatically deemed to be Facility C Revolving Loans under this Agreement for all purposes of this Agreement and the other Loan Documents (including for the purpose of determining usage of the Facility C Commitment under this Agreement as set forth above).

(ii) Within the limits of each Bank's Facility C Commitment and on the other terms and subject to the other conditions hereof, the Borrower may borrow under this subsection 2.01(c), prepay under Section 2.06 and reborrow under this subsection 2.01(c).

(iii) In addition, the Borrower may request BofA to make Swingline Loans to the Borrower from time to time pursuant to Section 2.15.

2.02 Loan Accounts. (a) The Loans made by each Bank and the Letters of Credit Issued by the Issuing Banks shall be evidenced by one or more accounts or records maintained by such Bank or Issuing Bank, as the case may be, in the ordinary course of business. The accounts or records maintained by the Administrative Agent, the Issuing Banks and each Bank shall be conclusive absent manifest error of the amount of the Loans made by the Banks to the Borrower and the Letters of Credit Issued for the account of the Borrower, and the interest and payments thereon. Any failure so to record or any error in doing so shall not, however, limit or otherwise affect the obligation of the Borrower hereunder to pay any amount owing with respect to the Loans or any Letter of Credit.

(b) Upon the request of any Bank made through the Administrative Agent, the Loans made by such Bank may be evidenced by one or more Notes, instead of loan accounts. Each such Bank shall endorse on the schedules annexed to its Note(s) the date, amount and maturity of each Loan made by it and the amount of each payment of principal made by the Borrower with respect thereto. Each such Bank is irrevocably authorized by the Borrower to endorse its Note(s) and each Bank's record shall be conclusive absent manifest error; provided, however, that the failure of a Bank to make, or an error in making, a notation thereon with respect to any Loan shall not limit or otherwise affect the obligations of the Borrower hereunder or under any such Note to such Bank.

2.03 Provedure for Borrowing. (a) Each Borrowing of Loans (other than Swingline Loans) shall be made upon the Borrower's irrevocable written notice delivered to the Administrative Agent in the form of a Notice of Borrowing (which notice must be received by the Administrative Agent prior to 9:00 a.m. San Francisco time (i) three Business Days prior to the requested Borrowing Date, in the case of Eurodollar Rate Loans, and (ii) one Business Day prior to the requested Borrowing Date, in the case of Base Rate Loans, specifying:

(A) the amount of the Borrowing, which shall be in an aggregate minimum amount of $3,000,000 or any multiple of $1,000,000 in excess thereof for Eurodollar Loans, or $1,000,000 or any multiple of $100,000 in excess thereof for Base Rate Loans;

(B) the requested Borrowing Date, which shall be a Business Day;

(C) the Type and Class of Loans comprising the Borrowing; and

(D) the duration of the Interest Period applicable to any Eurodollar Rate Loans included in such notice. If the Notice of Borrowing fails to specify the duration of the Interest Period for any Borrowing comprised of Eurodollar Rate Loans, such Interest Period shall be one month.

(b) The Administrative Agent will promptly notify each Bank of the Administrative Agent's receipt of any Notice of Borrowing and of the amount of such Bank's Pro Rata Share of that Borrowing.

(c) Each Bank will make the amount of its Pro Rata Share of each Borrowing available to the Administrative Agent for the account of the Borrower at the Administrative Agent's Payment Office by 11:00 a.m. San Francisco time on the Borrowing Date requested by the Borrower in funds immediately available to the Administrative Agent. The proceeds of all such Loans will then be made available to the Borrower by the Administrative Agent at such office by crediting the account of the Borrower on the books of BofA with the aggregate of the amounts made available to the Administrative Agent by the Banks and in like funds as received by the Administrative Agent.

(d) After giving effect to any Borrowing, there may not be more than ten different Interest Periods in effect with respect to Eurodollar Rate Loans.

. (a) The Borrower may, upon irrevocable written notice to the Administrative Agent in accordance with subsection 2.04(b):

(i) elect, as of any Business Day, in the case of Base Rate Loans, or as of the last day of the applicable Interest Period, in the case of Eurodollar Rate Loans, to convert any such Loans (or any part thereof in an amount not less than $3,000,000, or that is in an integral multiple of $1,000,000 in excess thereof) into Loans of the other Type; or

(ii) elect as of the last day of the applicable Interest Period, to continue as Eurodollar Rate Loans any Loans having Interest Periods expiring on such day (or any part thereof in an amount not less than $3,000,000, or that is in an integral multiple of $1,000,000 in excess thereof);

provided, that if at any time the aggregate amount of Eurodollar Rate Loans in respect of any Borrowing is reduced, by payment, prepayment, or conversion of part thereof to be less than $3,000,000, such Eurodollar Rate Loans shall automatically convert into Base Rate Loans, and on and after such date the right of the Borrower to continue such Loans as, and convert such Loans into, Eurodollar Rate Loans shall terminate.

(b) The Borrower shall deliver a Notice of

Conversion/Continuation to be received by the Administrative Agent not later than 9:00 a.m. San Francisco time at least (i) three Business Days in advance of the Conversion/Continuation Date, if the Loans are to be converted into or continued as Eurodollar Rate Loans; and (ii) one Business Day in advance of the Conversion/Continuation Date, if the Loans are to be converted into Base Rate Loans, specifying:

(A) the proposed Conversion/ Continuation Date;

(B) the aggregate amount and Class of Loans to be converted or renewed;

(C) the Type of Loans resultin from the proposed conversion or continuation; and

(D) other than in the case of conversions into Base Rate Loans, the duration of the requested Interest Period.

(c) If upon the expiration of any Interest Period applicable to Eurodollar Rate Loans, the Borrower has failed to select a new Interest Period within the time period specified in subsection 2.04(b) to be applicable to such Eurodollar Rate Loans, or if any Default or Event of Default then exists, the Borrower shall be deemed to have elected to convert such Eurodollar Rate Loans into Base Rate Loans effective as of the expiration date of such Interest Period.

(d) The Administrative Agent will promptly notify each Bank of its receipt of a Notice of Conversion/Continuation, or, if no notice is provided by the Borrower within the time period specified in subsection 2.04(b), the Administrative Agent will promptly notify each Bank of the details of any automatic conversion. All conversions and continuations shall be made ratably according to the respective outstanding principal amounts of the Loans with respect to which the notice was given held by each Bank.

(e) Unless the Majority Banks otherwise agree, during the existence of a Default or Event of Default, the Borrower may not elect to have a Loan converted into or continued as a Eurodollar Rate Loan.

(f) After giving effect to any conversion or continuation of Loans, there may not be more than ten different Interest Periods in effect.

2.05 Voluntary Termination or Reduction of Revolving Loan Commitments

(a) The Borrower may, not later than 11:00 a.m. San Francisco time at least three Business Days prior to its effective date by notice to the Administrative Agent, terminate or permanently reduce the Facility A Commitments by an aggregate minimum amount of $5,000,000 or any multiple of $5,000,000 in excess thereof; unless, after giving effect thereto and to any prepayments of Loans made on the effective date thereof, the Effective Amount of all Facility A Revolving Loans would exceed the amount of the combined Facility A Commitments then in effect.

(b) The Borrower may, not later than 11:00 a.m. San Francisco time at least three Business Days prior to its effective date by notice to the Administrative Agent, terminate or permanently reduce the Facility B Commitments by an aggregate minimum amount of $5,000,000 or any multiple of $5,000,000 in excess thereof; unless, after giving effect thereto and to any prepayments of Loans made on the effective date thereof, (i) the Effective Amount of all Facility B Revolving Loans and L/C Obligations together would exceed the amount of the combined Facility B Commitments then in effect, or (ii) the Effective Amount of all L/C Obligations then outstanding would exceed the L/C Commitment.

(c) The Borrower may, not later than 11:00 a.m. San Francisco time at least three Business Days prior to its effective date by notice to the Administrative Agent, terminate or permanently reduce the Facility C Commitments by an aggregate minimum amount of $5,000,000 or any multiple of $5,000,000 in excess thereof; unless, after giving effect thereto and to any prepayments of Loans made on the effective date thereof, the Effective Amount of all Facility C Revolving Loans and Swingline Loans together would exceed the amount of the combined Facility C Commitments then in effect.

(d) Once reduced in accordance with this Section, the Commitments may not be increased. Any reduction of the Revolving Loan Commitments shall be applied to each Bank according to its Pro Rata Share.

. (a) Subject to Section 4.04, the Borrower may, at any time or from time to time, not later than 9:00 a.m. San Francisco time at least three (3) Business Days prior to its effective date by irrevocable notice to the Administrative Agent, in the case of Eurodollar Rate Loans, and not later than 9:00 a.m. San Francisco time at least one (1) Business Day prior to its effective date by irrevocable notice to the Administrative Agent, in the case of Base Rate Loans, ratably prepay Loans in whole or in part, in minimum amounts of $3,000,000 or any multiple of $1,000,000 in excess thereof, for Eurodollar Rate Loans, and in minimum amounts of $1,000,000 or any multiple of $100,000 in excess thereof, for Base Rate Loans.

(b) Any such notice of prepayment shall specify the date and amount of such prepayment and the Type(s) and, with respect to voluntary prepayments occurring on or prior to the Revolving Loan Termination Date, the Class(es) of Loans to be prepaid. Prepayments of Base Rate Loans of any Class may be made hereunder on any Business Day. Prepayments of Eurodollar Rate Loans of any Class may be made hereunder only on the last day of any applicable Interest Period; provided, that prepayments of Eurodollar Rate Loans may be made on a day other than the last day of the applicable Interest Period only with payment by the Borrower of the aggregate amount of any associated funding losses

of any affected Banks pursuant to Section 4.04. The Administrative Agent will promptly notify each Bank of its receipt of any such notice, and of such Bank's Pro Rata Share of such prepayment.

(c) If any such notice is given by the Borrower, the Borrower shall make such prepayment and the payment amount specified in such notice shall be due and payable on the date specified therein, together, in the case of a Eurodollar Rate Loan, with accrued interest to each such date on the amount prepaid and any amounts required pursuant to Section 4.04.

. (a) Subject to Section 4.04, if on any date on or prior to the Revolving Loan Termination Date the Effective Amount of all Facility A Revolving Loans then outstanding exceeds the combined Facility A Commitments, the Borrower shall immediately, and without notice or demand, prepay the outstanding principal amount of Facility A Revolving Loans by an aggregate amount equal to the applicable excess.

(b) If on any date the Effective Amount of L/C Obligations exceeds the L/C Commitment, the Borrower shall Cash Collateralize on such date the outstanding Letters of Credit in an amount equal to the excess of the aggregate maximum amount then available to be drawn under the Letters of Credit over the L/C Commitment. Subject to Section 4.04, if on any date after giving effect to any Cash Collateralization made on such date pursuant to the preceding sentence, the Effective Amount of all Facility B Revolving Loans then outstanding plus the Effective Amount of all L/C Obligations then outstanding exceeds the combined Facility B Commitments, the Borrower shall immediately, and without notice or demand, prepay the outstanding principal amount of the Facility B Revolving Loans and any L/C Advances by an aggregate amount equal to the applicable excess.

(c) Subject to Section 4.04, if on any date on or prior to the Revolving Loan Termination Date the Effective Amount of all Facility C Revolving Loans then outstanding plus the Effective Amount of all Swingline Loans then outstanding exceeds the combined Facility C Commitments, the Borrower shall immediately, and without notice or demand, prepay the outstanding principal amount of the Facility C Revolving Loans and Swingline Loans by an aggregate amount equal to the applicable excess.

(d) The Borrower shall immediately, and without notice or demand, prepay the Obligations in full, including, without limitation, the aggregate principal amount of all outstanding Loans, all accrued and unpaid interest thereon and all amounts payable under Section 4.04 hereof, and all of the Revolving Loan Commitments shall be automatically reduced to zero, in each case on the 30th day after any Change of Control shall have occurred and be continuing.

(e) If and to the extent that the Revolving Loan Commitments are not equal to zero on the Revolving Loan Termination Date, such Revolving Loan Commitments shall be automatically reduced to zero on the Revolving Loan Termination Date.

. 08 Repayment

(a) Revolving Loans. The Borrower shall repay to the Banks in full on the Revolving Loan Termination Date the aggregate principal amount of Revolving Loans outstanding on such date together with all accrued and unpaid interest thereon.

(b) Swingline Loans. The Borrower shall repay to BofA in full on the Revolving Loan Termination Date the aggregate principal amount of Swingline Loans outstanding on such date, together with all accrued and unpaid interest thereon.

(c) Extension of Revolving Loan Termination Date. Each Bank, at its sole option and in its sole discretion, upon the written request of Borrower given to Administrative Agent and each Bank not more than 90 days nor less than 60 days prior to the Revolving Loan Termination Date at any time in effect, may elect to extend such Revolving Loan Termination Date by a period of one year. Within 30 days following receipt of such request, each Bank shall give notice to Borrower and Administrative Agent of its decision to extend or not to extend such Revolving Loan Termination Date. If, in accordance with the immediately preceding sentence, all Banks shall have elected to extend such Revolving Loan Termination Date, the Revolving Loan Termination Date shall be extended by a period of one year. In the event that any Bank notifies Borrower and Administrative Agent that it will not extend the Revolving Loan Termination Date then in effect, or if any Bank fails to notify Borrower and Administrative Agent of its decision to extend or not to extend such Revolving Loan Termination Date, in either case within the applicable 30 day period referred to above, such Revolving Loan Termination Date shall not be extended and the Revolving Loan Termination Date then in effect shall be the Revolving Loan Termination Date for all purposes of this Agreement.

. (a) Each Loan shall bear interest on the outstanding principal amount thereof from the applicable Borrowing Date at a rate per annum equal to the Eurodollar Rate (other than with respect to Swingline Loans) or the Base Rate, as the case may be (and subject to the Borrower's right to convert to other Types of Loans under Section 2.04), plus the Applicable Margin.

(b) Interest on each Loan shall be paid in arrears on each applicable Interest Payment Date. Interest in all cases shall also be paid on the date of any prepayment of Loans under subsection 2.07(d) and interest on Eurodollar Rate Loans shall also be paid on the date of prepayment of Loans in all other circumstances under Section 2.06 or 2.07, in each case for the portion of the Loans so prepaid and upon payment (including prepayment) in full thereof and, during the existence of any Event of Default, interest shall be paid on demand of the Administrative Agent at the request or with the consent of the Majority Banks.

(c) Notwithstanding subsection (a) of this Section, while any Event of Default exists or after acceleration, the Borrower shall pay interest (after as well as before entry of judgment thereon to the extent permitted by law) on the principal amount of all outstanding Obligations, at a rate per annum which is determined by adding 2% per annum to the Applicable Margin then in effect for such Loans and, in the case of Obligations not subject to an Applicable Margin, including, without limitation, all letter of credit and commitment fees provided herein, at a rate per annum equal to the Base Rate plus the Applicable Margin plus 2%; provided, however, that, on and after the expiration of any Interest Period applicable to any Eurodollar Rate Loan outstanding on the date of occurrence of such Event of Default or acceleration, the principal amount of such Loan shall, during the continuation of such Event of Default or after acceleration, bear interest at a rate per annum equal to the Base Rate plus the Applicable Margin plus 2%.

(d) Anything herein to the contrary notwithstanding, the obligations of the Borrower to any Bank hereunder shall be subject to the limitation that payments of interest shall not be required for any period for which interest is computed hereunder, to the extent (but only to the extent) that contracting for or receiving such payment by such Bank would be contrary to the provisions of any law applicable to such Bank limiting the highest rate of interest that may be lawfully contracted for, charged or received by such Bank, and in such event the Borrower shall pay such Bank interest at the highest rate permitted by applicable law.

. In addition to certain fees described in Section 3.08:

(a) Arrangement, Agency Fees. The Borrower shall pay an arrangement fee to the Arranger for the Arranger's own account, and shall pay an agency fee to the Administrative Agent for the Administrative Agent's own account, as required by the letter agreement (the "Fee Letter") between the Borrower and the Arranger and Administrative Agent dated May 19, 1998.

(b) Commitment Fees. The Borrower shall pay to the Administrative Agent for the account of each Bank (a) a commitment fee with respect to such Bank's Facility A Commitment equal to the Commitment Fee Rate per annum times the actual daily amount by which such Bank's Facility A Commitment exceeded the sum of the aggregate Effective Amount of its Facility A Revolving Loans, (b) a commitment fee with respect to such Bank's Facility B Commitment equal to the Commitment Fee Rate per annum times the actual daily amount by which such Bank's Facility B Commitment exceeded the aggregate Effective Amount of its Facility B Revolving Loans plus its Pro Rata Share of the Effective Amount of L/C Obligations and (c) a commitment fee with respect to such Bank's Facility C Commitment equal to the Commitment Fee Rate per annum times the actual daily amount by which such Bank's Facility C Commitment exceeded the aggregate Effective Amount of its Facility C Revolving Loans. Such commitment fees shall accrue from the Restatement Effective Date to the Revolving Loan Termination Date and shall be due and payable quarterly in arrears on the first Business Day of each fiscal quarter following the quarter for which payment is to be made, commencing on the Restatement Effective Date through the Revolving Loan Termination Date, with the final payment to be made on the Revolving Loan Termination Date; provided that, in connection with the full termination of Revolving Loan Commitments under Section 2.05 or Section 2.07, the accrued commitment fees calculated for the period ending on such date shall also be paid on the date of such termination. The commitment fees provided in this subsection shall accrue at all times after the above-mentioned commencement date, including at any time during which one or more conditions in Article V are not met.

(c) Participation Fees. On the Restatement Effective Date, the Borrower shall pay to the Administrative Agent for the account of each Bank a participation fee in an amount equal to (i) 0.075 percent multiplied by (ii) the sum of such Bank's Revolving Loan Commitments.

. (a) All computations of interest for Base Rate Loans when the Base Rate is determined by BofA's "reference rate" shall be made on the basis of a year of 365 or 366 days, as the case may be, and actual days elapsed. All other computations of fees and interest shall be made on the basis of a 360-day year and actual days elapsed (which results in more interest being paid than if computed on the basis of a 365-day year). Interest and fees shall accrue during each period during which interest or such fees are computed from the first day thereof to the last day thereof.

(b) Each determination of an interest rate by the Administrative Agent shall be conclusive and binding on the Borrower and the Banks in the absence of manifest error.

. (a) All payments to be made by the Borrower under any Loan Document shall be made without set-off, recoupment, counterclaim or other defense. Except as otherwise expressly provided herein, all payments by the Borrower shall be made to the Administrative Agent for the account of the Banks at the Administrative Agent's Payment Office, and shall be made in dollars and in immediately available funds, no later than 10:00 a.m. (San Francisco time) on the date specified herein. The Administrative Agent will promptly distribute to each Bank its Pro Rata Share (or other applicable share as expressly provided herein) of such payment in like funds as received. Any payment received by the Administrative Agent later than 10:00 a.m. (San Francisco time) shall be deemed to have been received on the following Business Day and any applicable interest or fee shall continue to accrue.

(b) Subject to the provisions set forth in the definition of "Interest Period" herein, whenever any payment is due on a day other than a Business Day, such payment shall be made on the following Business Day, and such extension of time shall in such case be included in the computation of interest or fees, as the case may be.

(c) Unless the Administrative Agent receives notice from the Borrower prior to the date on which any payment is due to the Banks that the

Borrower will not make such payment in full as and when required, the Administrative Agent may assume that the Borrower has made such payment in full to the Administrative Agent on such date in immediately available funds and the Administrative Agent may (but shall not be so required), in reliance upon such assumption, distribute to each Bank on such due date an amount equal to the amount then due such Bank. If and to the extent the Borrower has not made such payment in full to the Administrative Agent, each Bank shall repay to the Administrative Agent on demand such amount distributed to such Bank, together with interest thereon at the Federal Funds Rate for each day from the date such amount is distributed to such Bank until the date repaid.

(d) Unless a due date is otherwise specified herein, the due date for any Obligation shall be 30 days after demand therefor by the Person to whom the Obligation is owed.

. (a) Unless the Administrative Agent receives notice from a Bank on or prior to the Restatement Effective Date or, with respect to any Borrowing after the Restatement Effective Date, by 2:00 p.m. (San Francisco time) on the Business Day prior to the date of such Borrowing, that such Bank will not make available as and when required hereunder to the Administrative Agent for the account of the Borrower the amount of that Bank's Pro Rata Share of the Borrowing, the Administrative Agent may assume that each Bank has made such amount available to the Administrative Agent in immediately available funds on the Borrowing Date and the Administrative Agent may (but shall not be so required), in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If and to the extent any Bank shall not have made its full amount available to the Administrative Agent in immediately available funds and the Administrative Agent in such circumstances has made available to the Borrower such amount, that Bank shall on the Business Day following such Borrowing Date make such amount available to the Administrative Agent, together with interest at the Federal Funds Rate for each day during such period. A notice of the Administrative Agent submitted to any Bank with respect to amounts owing under this subsection (a) shall be conclusive, absent manifest error. If such amount is so made available, such payment to the Administrative Agent shall constitute such Bank's Loan on the date of Borrowing for all purposes of this Agreement. If such amount is not made available to the Administrative Agent on the Business Day following the Borrowing Date, the Administrative Agent will notify the Borrower of such failure to fund and, upon demand by the Administrative Agent, the Borrower shall pay such amount to the Administrative Agent for the Administrative Agent's account, together with interest thereon for each day elapsed since the date of such Borrowing, at a rate per annum equal to the interest rate applicable at the time to the Loans comprising such Borrowing.

(b) The failure of any Bank to make any Loan on any Borrowing Date shall not relieve any other Bank of any obligation hereunder to make a Loan on such Borrowing Date, but no Bank shall be responsible for the failure of any other Bank to make the Loan to be made by such other Bank on any Borrowing Date.

If, other than as expressly provided elsewhere herein, any Bank shall obtain on account of the Loans made by it any payment (whether voluntary, involuntary, through the exercise of any right of set-off, or otherwise) in excess of its Pro Rata Share, such Bank shall immediately (a) notify the Administrative Agent of such fact, and (b) purchase from the other Banks such participations in the Loans made by them as shall be necessary to cause such purchasing Bank to share the excess payment pro rata with each of them; provided, however, that if all or any portion of such excess payment is thereafter recovered from the purchasing Bank, such purchase shall to that extent be rescinded and each other Bank shall repay to the purchasing Bank the purchase price paid therefor, together with an amount equal to such paying Bank's ratable share (according to the proportion of (i) the amount of such paying Bank's required repayment to (ii) the total amount so recovered from the purchasing Bank) of any interest or other amount paid or payable by the purchasing Bank in respect of the total amount so recovered. The Borrower agrees that any Bank so purchasing a participation from another Bank may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of set-off) with respect to such participation as fully as if such Bank were the direct creditor of the Borrower in the amount of such participation. The Administrative Agent will keep records (which shall be conclusive and binding in the absence of manifest error) of participations purchased under this Section and will in each case notify the Banks following any such purchases or repayments.

..15 Discretionary Swingline Loans

(a) From time to time, subject to the conditions set forth below, at the request of the Borrower, made through the Administrative Agent as set forth below, BofA in its sole and absolute discretion may make short-term loans to the Borrower not to exceed in the aggregate at any one time outstanding the principal sum of $20,000,000, to be used by the Borrower to cover overdrafts, for cash management purposes, or for other general working capital needs of the Borrower (each, a "Swingline Loan"). The availability of Swingline Loans is conditioned on the satisfaction of each of the following conditions: (i) it shall be in the sole and absolute discretion of BofA, on each occasion that a Swingline Loan is requested, whether to make such Swingline Loan; (ii) each Swingline Loan shall bear interest from the time made until the time repaid, or until the time, if any, that such Swingline Loan is converted into a Base Rate Loan as provided below, at the rate(s) from time to time applicable to Base Rate Loans hereunder; (iii) at the time of making of any Swingline Loan, the sum of the Effective Amount of all outstanding Swingline Loans plus the Effective Amount of all outstanding Facility C Revolving Loans, without duplication, shall not exceed the aggregate Facility C Commitment; (iv) each Swingline Loan, when made, all interest accrued thereon, and all reimbursable costs and expenses incurred or payable in connection therewith, shall constitute an Obligation of Borrower hereunder; and (v) each request for a Swingline Loan from BofA pursuant to this Section 2.15 shall be made by the Borrower to the Administrative Agent, shall be funded by BofA through the Administrative Agent, and shall be repaid by the Borrower through the Administrative Agent (in order

that the Administrative Agent may keep an accurate record of the outstanding balance at any time of Swingline Loans so as to monitor compliance with the terms and provisions hereof), and each such request shall be in writing unless the Administrative Agent in its sole discretion accepts an oral or telephonic request. Each Swingline Loan shall be made upon the Borrower's irrevocable written notice delivered to the Administrative Agent substantially in the form of a Notice of Borrowing (which notice must be received by the Administrative Agent prior to 1:00 p.m. (San Francisco time) on the requested date of such Swingline Loan, specifying:

(i) the amount of the Swingline Loan, which shall be in a minimum amount of $200,000 or any multiple of $100,000 in excess thereof; and

(ii) the requested date of such Swingline Loan, which shall be a Business Day;

(b) If any Swingline Loan made pursuant to this Section 2.15, and in compliance with the conditions set forth in the immediately preceding paragraph of this Section 2.15, is not repaid by the Borrower on or before the seventh calendar day following the day that it was funded by BofA, BofA shall have the right in BofA's sole and absolute discretion, by giving notice to the Borrower and the Banks, to cause such Swingline Loan automatically upon the giving of such notice to be converted into a Facility C Revolving Loan which is a Base Rate Loan, and upon receipt of such notice each Bank shall fund to the Administrative Agent, for the account of BofA, such Bank's ratable share of such Facility C Revolving Loan, based on such Bank's Pro Rata Share; provided, that if any Insolvency Proceeding has been commenced with respect to the Borrower on or prior to the date on which such Swingline Loan is due, and in lieu of funding its Pro Rata Share of a Facility C Revolving Loan, each Bank shall be deemed to, and hereby irrevocably and unconditionally agrees to, purchase from BofA a participation in such Swingline Loan equal to the product of such Bank's Pro Rata Share times the amount of such Swingline Loan.

(c) Each Bank's obligation in accordance with this Agreement to make Facility C Revolving Loans upon the failure of a Swingline Loan to be repaid in full when due, or to purchase participations in such Swingline Loans, shall, in each case, be absolute and unconditional and without recourse to BofA and shall not be affected by any circumstance, including (i) any set-off, counterclaim, recoupment, defense or other right which such Bank may have against BofA, the Borrower or any other Person for any reason whatsoever; (ii) the occurrence or continuance of a Default, an Event of Default or a Material Adverse Effect; or (iii) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing.

ARTICLE III

THE LETTERS OF CREDIT

. (a) On the terms and subject to the conditions set forth herein and as a subfacility of the Facility B Commitment, (i) the Issuing Banks agree, from time to time on any Business Day during the period from the Restatement Effective Date to the date that is 30 days prior to the Revolving Loan Termination Date to issue Letters of Credit for the account of the Borrower and to amend or renew Letters of Credit previously issued by them, in each case in accordance with subsections 3.02(c) and 3.02(d); and (ii) the Banks severally agree to participate in Letters of Credit Issued for the account of the Borrower; provided, that the Issuing Banks shall not be obligated to Issue, and no Bank shall be obligated to participate in, any Letter of Credit if, as of the date of Issuance of such Letter of Credit (the "Issuance Date"), (1) the Effective Amount of all L/C Obligations plus the Effective Amount of all Facility B Revolving Loans exceeds the combined Facility B Commitments, or (2) the Effective Amount of L/C Obligations exceeds the L/C Commitment. Within the foregoing limits, and subject to the other terms and conditions hereof, the ability of the Borrower to obtain Letters of Credit shall be fully revolving, and, accordingly, the Borrower may, during the foregoing period, obtain Letters of Credit to replace Letters of Credit which have expired or which have been drawn upon and reimbursed.

(b) No Issuing Bank is under any obligation to Issue any Letter of Credit if:

(i) any order, judgment or decree of any Governmental Authority or arbitrator shall by its terms purport to enjoin or restrain such Issuing Bank from Issuing such Letter of Credit, or any Requirement of Law applicable to such Issuing Bank or any request or directive (whether or not having the force of law) from any Governmental Authority with jurisdiction over such Issuing Bank shall prohibit, or request that such Issuing Bank refrain from, the Issuance of letters of credit generally or such Letter of Credit in particular or shall impose upon such Issuing Bank with respect to such Letter of Credit any restriction, reserve or capital requirement (for which such Issuing Bank is not otherwise compensated hereunder) not in effect on the Restatement Effective Date, or shall impose upon such Issuing Bank any unreimbursed loss, cost or expense which was not applicable on the Restatement Effective Date and which such Issuing Bank in good faith deems material to it;

(ii) such Issuing Bank has received written notice from any Bank, the Administrative Agent or the Borrower, on or prior to the Business Day prior to the requested date of Issuance of such Letter of Credit, that one or more of the applicable conditions contained in Article V is not then satisfied;

(iii) the expiry date of any requested Letter of Credit is (A) with respect to Commercial Letters of Credit supporting the purchase of inventory by the Borrower, more than (1) 180 days after the date of Issuance or (2) 30 days prior to the Revolving Loan

Termination Date, unless the Majority Banks have approved such expiry date in writing, (B) with respect to Standby Letters of Credit, more than (1) 364 days after the date of Issuance or (2) 30 days prior to the Revolving Loan Termination Date, unless the Majority Banks have approved such expiry date in writing; or (C) with respect to any other Letter of Credit, 30 days prior to the Revolving Loan Termination Date, unless all of the Banks have approved such expiry date in writing;

(iv) the expiry date of any requested Letter of Credit is prior to the maturity date of any financial obligation to be supported by the requested Letter of Credit;

(v) any requested Letter of Credit does not provide for drafts (unless there is a demand for payment in the documentation required to be delivered in connection with any drawing), or is not otherwise in form and substance acceptable to such Issuing Bank, or the Issuance of a Letter of Credit shall violate any applicable policies of such Issuing Bank;

(vi) any Standby Letter of Credit is for the purpose of supporting the issuance of any letter of credit by any other Person other than with respect to any Existing Letter of Credit so designated in Schedule 3.03; or

(vii) such Letter of Credit is to be used for a purpose other than any permitted use of the proceeds of Facility B Revolving Loans as set forth in Section 7.11.

. (a) Each Letter of Credit shall be issued upon the irrevocable written request of the Borrower received by the Issuing Bank (with a copy sent by the Borrower to the Administrative Agent) prior to 10:00 a.m. (San Francisco time) on the proposed date of Issuance for Letters of Credit in the form of Exhibit H, I or J hereto and at least four days prior to the proposed date of Issuance for other forms of Letters of Credit. Each such request for issuance of a Letter of Credit shall be by facsimile, confirmed by telephone, in the form of an L/C Application, and shall specify in form and detail satisfactory to the applicable Issuing Bank: (i) the proposed date of issuance of the Letter of Credit (which shall be a Business Day); (ii) the face amount of the Letter of Credit; (iii) the expiry date of the Letter of Credit; (iv) the name and address of the beneficiary thereof; (v) the documents to be presented by the beneficiary of the Letter of Credit in case of any drawing thereunder; (vi) the full text of any certificate to be presented by the beneficiary in case of any drawing thereunder; and (vii) such other matters as the Issuing Bank may require.

(b) Prior to the Issuance of any Letter of Credit, the applicable Issuing Bank will confirm with the Administrative Agent (by telephone or in writing) that the Administrative Agent has received a copy of the L/C Application or L/C Amendment Application from the Borrower and, if not, such Issuing Bank will provide the Administrative Agent with a copy thereof. Unless such Issuing Bank has received notice on or before 11:00 a.m. (San Francisco time) on the date such Issuing Bank is to issue a requested Letter of Credit from the Administrative Agent (A) directing such Issuing Bank not to issue such Letter of Credit because such issuance is not then permitted under subsection 3.01(a) as a result of the limitations set forth in clauses (1) or (2) thereof or subsection 3.01(b)(ii); or (B) that one or more conditions specified in Article V are not then satisfied; then, subject to the terms and conditions hereof, such Issuing Bank shall, on the requested date, issue a Letter of Credit in accordance with such Issuing Bank's usual and customary business practices.

(c) From time to time while a Letter of Credit is outstanding and prior to the Revolving Loan Termination Date, any Issuing Bank will, upon the written request of the Borrower received by such Issuing Bank (with a copy sent by the Borrower to the Administrative Agent) at least four days (or such shorter time as such Issuing Bank may agree in a particular instance in its sole discretion) prior to the proposed date of amendment, amend any Letter of Credit issued by it. Each such request for amendment of a Letter of Credit shall be made by facsimile, confirmed by telephone, made in the form of an L/C Amendment Application and shall specify in form and detail satisfactory to such Issuing Bank: (i) the Letter of Credit to be amended; (ii) the proposed date of amendment of the Letter of Credit (which shall be a Business Day); (iii) the nature of the proposed amendment; and (iv) such other matters as such Issuing Bank may require. The applicable Issuing Bank shall be under no obligation to amend any Letter of Credit if: (A) such Issuing Bank would have no obligation at such time to issue such Letter of Credit in its amended form under the terms of this Agreement; or (B) the beneficiary of any such Letter of Credit does not accept the proposed amendment to the Letter of Credit. The Administrative Agent will promptly notify the Banks of the receipt by it of any L/C Application or L/C Amendment Application.

(d) The Issuing Banks and the Banks agree that, while a Letter of Credit is outstanding and prior to the Revolving Loan Termination Date, at the option of the Borrower and upon the written request of the Borrower received by the applicable Issuing Bank (with a copy sent by the Borrower to the Administrative Agent) at least four days (or such shorter time as such Issuing Bank may agree in a particular instance in its sole discretion) prior to the proposed date of notification of renewal, such Issuing Bank shall be entitled to authorize the automatic renewal of any Letter of Credit issued by it. Each such request for renewal of a Letter of Credit shall be made by facsimile, confirmed by telephone, in the form of an L/C Amendment Application, and shall specify in form and detail satisfactory to such Issuing Bank: (i) the Letter of Credit to be renewed; (ii) the proposed date of notification of renewal of the Letter of Credit (which shall be a Business Day); (iii) the revised expiry date of the Letter of Credit; and (iv) such other matters as such Issuing Bank may require. The applicable Issuing Bank shall be under no obligation to so renew any Letter of Credit if: (A) such Issuing Bank would have no obligation at such time to issue or amend such Letter of Credit in its renewed form under the terms of this Agreement; or (B) the beneficiary of any such Letter of Credit does not accept the proposed renewal of the Letter of Credit. If any outstanding Letter of

Credit shall provide that it shall be automatically renewed unless the beneficiary thereof receives notice from the applicable Issuing Bank that such Letter of Credit shall not be renewed, and if at the time of renewal such Issuing Bank would be entitled to authorize the automatic renewal of such Letter of Credit in accordance with this subsection 3.02(d) upon the request of the Borrower, but such Issuing Bank shall not have received any L/C Amendment Application with respect to such renewal or other written direction by the Borrower with respect thereto, such Issuing Bank shall nonetheless be permitted to allow such Letter of Credit to renew, and the Borrower and the Banks hereby authorize such renewal, and, accordingly, such Issuing Bank shall be deemed to have received an L/C Amendment Application from the Borrower requesting such renewal.

(e) The Issuing Banks may, at their election (or as required by the Administrative Agent at the direction of the Majority Banks), deliver any notices of termination or other communications to any Letter of Credit beneficiary or transferee, and take any other action as necessary or appropriate, at any time and from time to time, in order to cause the expiry date of such Letter of Credit to be a date not later than the Revolving Loan Termination Date.

(f) This Agreement shall control in the event of any conflict with any L/C-Related Document (other than any Letter of Credit).

(g) The Issuing Banks will also deliver to the Administrative Agent, concurrently or promptly following delivery of a Letter of Credit, or amendment to or renewal of a Letter of Credit, to an advising bank or a beneficiary, a true and complete copy of each such Letter of Credit or amendment to or renewal of a Letter of Credit.

. (a) On and after the Restatement Effective Date, the Existing Letters of Credit shall be deemed for all purposes, including for purposes of the fees to be collected pursuant to subsections 3.08(a) and 3.08(c), and reimbursement costs and expenses to the extent provided herein, Letters of Credit outstanding under this Agreement and entitled to the benefits of this Agreement and the other Loan Documents, and shall be governed by the applications and agreements pertaining thereto and by this Agreement. Each Existing Letter of Credit designated as a "standby letter of credit" on Schedule 3.03 shall be deemed to be a Standby Letter of Credit, and each Existing Letter of Credit designated as a "commercial documentary letter of credit" on Schedule 3.03 shall be deemed to be a Commercial Letter of Credit. Each Bank shall be deemed to, and hereby irrevocably and unconditionally agrees to, purchase from the Issuing Banks on the Restatement Effective Date a participation in each such Letter of Credit and each drawing thereunder in an amount equal to the product of (i) such Bank's Pro Rata Share times (ii) the maximum amount available to be drawn under such Letter of Credit and the amount of such drawing, respectively. For purposes of subsection 2.01(a) and subsection 2.10(b), the Existing Letters of Credit shall be deemed to utilize the Pro Rata Share of each Bank.

(b) Immediately upon the Issuance of each Letter of Credit in addition to those described in subsection 3.03(a), each Bank shall be deemed to, and hereby irrevocably and unconditionally agrees to, purchase from the applicable Issuing Bank a participation in such Letter of Credit and each drawing thereunder in an amount equal to the product of (i) the Pro Rata Share of such Bank, times (ii) the maximum amount available to be drawn under such Letter of Credit and the amount of such drawing, respectively. For purposes of subsection 2.01(a), each Issuance of a Letter of Credit shall be deemed to utilize the Facility B Commitment of each Bank by an amount equal to the amount of such participation.

(c) In the event of any request for a drawing under a Letter of Credit by the beneficiary or transferee thereof, the applicable Issuing Bank will promptly notify the Borrower. The Borrower shall reimburse such Issuing Bank prior to 10:00 a.m. (San Francisco time), on each date that any amount is paid by such Issuing Bank under any Letter of Credit (each such date, an "Honor Date"), in an amount equal to the amount so paid by such Issuing Bank. In the event the Borrower fails to reimburse such Issuing Bank of any Letter of Credit for the full amount of any drawing under such Letter of Credit by 10:00 a.m. (San Francisco time) on the Honor Date, such Issuing Bank will promptly notify the Administrative Agent and the Administrative Agent will promptly notify each Bank thereof, and the Borrower shall be deemed to have requested that Base Rate Loans be made by the Banks to be disbursed on the Honor Date under such Letter of Credit, subject to the conditions set forth in Section 5.02 (including, without limitation, the condition that no Insolvency Proceeding shall have been commenced by or against the Borrower on the Honor Date). Any notice given by an Issuing Bank or the Administrative Agent pursuant to this subsection 3.03(c) may be oral if immediately confirmed in writing (including by facsimile); provided that the lack of such an immediate confirmation shall not affect the conclusiveness or binding effect of such notice.

(d) Each Bank shall upon any notice pursuant to subsection 3.03(c) make available to the Administrative Agent for the account of the applicable Issuing Bank an amount in Dollars and in immediately available funds equal to its Pro Rata Share of the amount of the drawing, whereupon the participating Banks shall (subject to subsection 3.03(e)) each be deemed to have made a Facility B Revolving Loan consisting of a Base Rate Loan to the Borrower in that amount. If any Bank so notified fails to make available to the Administrative Agent for the account of the applicable Issuing Bank the amount of such Bank's Pro Rata Share of the amount of the drawing by no later than 11:00 a.m. (San Francisco time) on the Honor Date, then interest shall accrue on such Bank's obligation to make such payment, from the Honor Date to the date such Bank makes such payment, at a rate per annum equal to the Federal Funds Rate in effect from time to time during such period. The Administrative Agent will promptly give notice of the occurrence of the Honor Date, but failure of the Administrative Agent to give any such notice on the Honor Date or in sufficient time to enable any Bank to effect such payment on such date shall not relieve such Bank from its obligations under this Section 3.03.

(e) With respect to any unreimbursed drawing that is not converted into Facility B Revolving Loans consisting of Base Rate Loans to the Borrower in whole or in part, because of the Borrower's failure to satisfy the conditions set forth in Section 5.02 or for any other reason, the Borrower shall be deemed to have incurred from an Issuing Bank an L/C Borrowing in the amount of such drawing, which L/C Borrowing shall be due and payable on demand (together with interest) and shall bear interest at a rate per annum equal to the Base Rate plus the Applicable Margin plus 2% per annum, and each Bank's payment to such Issuing Bank pursuant to subsection 3.03(d) shall be deemed payment in respect of its participation in such L/C Borrowing and shall constitute an L/C Advance from such Bank in satisfaction of its participation obligation under this Section 3.03.

(f) Each Bank's obligation in accordance with this Agreement to make the Facility B Revolving Loans or L/C Advances, as contemplated by this Section 3.03, as a result of a drawing under a Letter of Credit, shall be absolute and unconditional and without recourse to the Issuing Banks (except in circumstances arising solely as a result of willful misconduct or gross negligence by the Issuing Banks) and shall not be affected by any circumstance, including (i) any set-off, counterclaim, recoupment, defense or other right which such Bank may have against any Issuing Bank, the Borrower or any other Person for any reason whatsoever; (ii) the occurrence or continuance of a Default, an Event of Default or a Material Adverse Effect; or (iii) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing.

. (a) Upon (and only upon) receipt by the Administrative Agent for the account of an Issuing Bank of immediately available funds from the Borrower (i) in reimbursement of any payment made by such Issuing Bank under the Letter of Credit with respect to which any Bank has paid the Administrative Agent for the account of such Issuing Bank for such Bank's participation in the Letter of Credit pursuant to Section 3.03 or (ii) in payment of interest thereon, the Administrative Agent will pay to each Bank, in the same funds as those received by the Administrative Agent for the account of such Issuing Bank, the amount of such Bank's Pro Rata Share of such funds, and such Issuing Bank shall receive the amount of the Pro Rata Share of such funds of any Bank that did not so pay the Administrative Agent for the account of such Issuing Bank.

(b) If the Administrative Agent or any Issuing Bank is required at any time to return to the Borrower, or to a trustee, receiver, liquidator, custodian, or any official in any Insolvency Proceeding, any portion of the payments made by the Borrower to the Administrative Agent for the account of such Issuing Bank pursuant to subsection 3.04(a) in reimbursement of a payment made under the Letter of Credit or interest or fee thereon, each Bank shall, on demand of the Administrative Agent, forthwith return to the Administrative Agent or such Issuing Bank the amount of its Pro Rata Share of any amounts so returned by the Administrative Agent or such Issuing Bank plus interest thereon from the date such demand is made to the date such amounts are returned by such Bank to the Administrative Agent or such Issuing Bank, at a rate per annum equal to the Federal Funds Rate in effect from time to time.

. (a) Each Bank and the Borrower agree that, in paying any drawing under a Letter of Credit, the applicable Issuing Bank shall not have any responsibility to obtain any document (other than any sight draft and certificates expressly required by the Letter of Credit) or to ascertain or inquire as to the validity or accuracy of any such document or the authority of the Person executing or delivering any such document.

(b) No Agent-Related Person nor any of the respective correspondents, participants or assignees of an Issuing Bank shall be liable to any Bank for: (i) any action taken or omitted in connection herewith at the request or with the approval of the Banks (including the Majority Banks, as applicable); (ii) any action taken or omitted in the absence of gross negligence or willful misconduct; or (iii) the due execution, effectiveness, validity or enforceability of any L/C-Related Document.

(c) The Borrower hereby assumes all risks of the acts or omissions of any beneficiary or transferee with respect to its use of any Letter of Credit; provided, however, that this assumption is not intended to, and shall not, preclude the Borrower's pursuing such rights and remedies as it may have against the beneficiary or transferee at law or under any other agreement. No Agent-Related Person, nor any of the respective correspondents, participants or assignees of any Issuing Bank, shall be liable or responsible for any of the matters described in clauses (i) through (vii) of Section 3.06; provided, however, anything in such clauses to the contrary notwithstanding, that the Borrower may have a claim against an Issuing Bank, and an Issuing Bank may be liable to the Borrower, to the extent, but only to the extent, of any direct, as opposed to consequential or exemplary, damages suffered by the Borrower which the Borrower proves were caused by an Issuing Bank's willful misconduct or gross negligence or an Issuing Bank's willful failure to pay under any Letter of Credit after the presentation to it by the beneficiary of a sight draft and certificate(s) strictly complying with the terms and conditions of a Letter of Credit. In furtherance and not in limitation of the foregoing: (i) an Issuing Bank may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary; and (ii) an Issuing Bank shall not be responsible for the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign a Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, which may prove to be invalid or ineffective for any reason.

. The obligations of the Borrower under this Agreement and any L/C-Related Document to reimburse the Issuing Banks for drawings under Letters of Credit, and to repay any L/C Borrowing and any drawings under Letters of Credit converted into Facility B Revolving Loans, shall be unconditional and irrevocable, and shall be paid strictly in accordance with the terms of this Agreement and each such other L/C-Related Document under all circumstances, including the following:

(i) any lack of validity or enforceability of this Agreement or any L/C-Related Document;

(ii) any change in the time, manner or place of payment of, or in any other term of, all or any of the obligations of the Borrower in respect of any Letter of Credit or any other amendment or waiver of or any consent to departure from all or any of the L/C-Related Documents;

(iii) the existence of any claim, set-off, defense or other right that the Borrower may have at any time against any beneficiary or any transferee of any Letter of Credit (or any Person for whom any such beneficiary or any such transferee may be acting), an Issuing Bank or any other Person, whether in connection with this Agreement, the transactions contemplated hereby or by the L/C-Related Documents or any unrelated transaction;

(iv) any draft, demand, certificate or other document presented under any Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect; or any loss or delay in the transmission or otherwise of any document required in order to make a drawing under any Letter of Credit;

(v) any payment by an Issuing Bank under any Letter of Credit against presentation of a draft or certificate that does not strictly comply with the terms of any Letter of Credit; or any payment made by an Issuing Bank under any Letter of Credit to any Person purporting to be a trustee in bankruptcy, debtor-in-possession, assignee for the benefit of creditors, liquidator, receiver or other representative of or successor to any beneficiary or any transferee of any Letter of Credit, including any arising in connection with any Insolvency Proceeding;

(vi) any exchange, release or non-perfection of any collateral, or any release or amendment or waiver of or consent to departure from any other guarantee, for all or any of the obligations of the Borrower in respect of any Letter of Credit; or

(vii) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing, including any other circumstance that might otherwise constitute a defense available to, or a discharge of, the Borrower or a guarantor.

. Upon (i) the request of the Administrative Agent, (A) if an Issuing Bank has honored any full or partial drawing request on any Letter of Credit and such drawing has resulted in an L/C Borrowing hereunder, or (B) if, as of the Revolving Loan Termination Date, any Letters of Credit may for any reason remain outstanding and partially or wholly undrawn, or (ii) the occurrence of the circumstances described in subsection 2.07(b) requiring the Borrower to Cash Collateralize Letters of Credit, then, the Borrower shall immediately Cash Collateralize the L/C Obligations in an amount equal to the L/C Obligations.

. (a) The Borrower agrees to pay to the Administrative Agent for the account of each of the Banks based on their respective Pro Rata Shares a letter of credit fee (i) with respect to the Standby Letters of Credit equal to the Standby Letter of Credit Risk Participation Percentage of the average daily maximum amount available to be drawn of the outstanding Standby Letters of Credit and (ii) with respect to the Commercial Letters of Credit equal to the Commercial Letter of Credit Risk Participation Percentage of the average daily maximum amount available to be drawn of the outstanding Commercial Letters of Credit, in each case computed on a quarterly basis in arrears on the last Business Day of each fiscal quarter based upon Letters of Credit outstanding for that quarter as calculated by the Administrative Agent. Such letter of credit fees shall be due and payable quarterly in arrears on the first Business Day following each fiscal quarter during which Standby Letters of Credit or Commercial Letters of Credit, as the case may be, are outstanding, commencing on the first such quarterly date to occur after the Restatement Effective Date, through the Revolving Loan Termination Date, with the final payment to be made on the Revolving Loan Termination Date.

(b) The Borrower agrees to pay to the applicable Issuing Bank for its sole account a letter of credit fronting fee (i) for each Standby Letter of Credit Issued by such Issuing Bank, equal to 0.125% per annum of the face amount (or increased face amount, as the case may be) of such Standby Letter of Credit and (ii) for each Commercial Letter of Credit Issued by such Issuing Bank, equal to 0.10% per annum of the face amount (or increased face amount, as the case may be) of such Commercial Letter of Credit. Such Letter of Credit fronting fee shall be due and payable quarterly in arrears on the first Business Day following each fiscal quarter during which such Letter of Credit is outstanding, commencing on the first such quarterly date to occur after the Restatement Effective Date, with the final payment to be made on the Revolving Loan Termination Date.

(c) The Borrower agrees to pay to the Issuing Banks from time to time on demand the normal issuance, presentation, amendment and other processing fees, and other standard costs and charges, of the Issuing Banks relating to Standby Letters of Credit and Commercial Letters of Credit as from time to time in effect.

. The Uniform Customs and Practice for Documentary Credits as published by the International Chamber of Commerce ("UCP") most recently at the time of issuance of any Letter of Credit shall (unless otherwise expressly provided in the Letters of Credit) apply to such Letter of Credit.

ARTICLE IV

TAXES, YIELD PROTECTION AND ILLEGALITY

. (a) Any and all payments by the Borrower to each Bank or the Administrative Agent under this Agreement and any other Loan Document shall be made free and clear of, and without deduction or withholding for any Taxes. In addition, the Borrower shall pay all Other Taxes.

(b) The Borrower agrees to indemnify and hold harmless each Bank and the Administrative Agent for the full amount of Taxes or Other Taxes (including any Taxes or Other Taxes imposed by any jurisdiction on amounts payable under this Section) paid by the Bank or the Administrative Agent and any liability (including interest, additions to tax and expenses) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted. Payment under this indemnification shall be made within 30 days after the date the Bank or the Administrative Agent makes written demand therefor.

(c) If the Borrower shall be required by law to deduct or withhold any Taxes or Other Taxes from or in respect of any sum payable hereunder to any Bank or the Administrative Agent, then:

(i) the sum payable shall be increased as necessary so that after making all required deductions and withholdings (including deductions and withholdings applicable to additional sums payable under this Section) such Bank or the Administrative Agent, as the case may be, receives an amount equal to the sum it would have received had no such deductions or withholdings been made;

(ii) the Borrower shall make such deductions and withholdings;

(iii) the Borrower shall pay the full amount deducted or withheld to the relevant taxing authority or other authority in accordance with applicable law; and

(iv) the Borrower shall also pay to each Bank or the Administrative Agent for the account of such Bank, at the time interest is paid, all additional amounts which the respective Bank specifies as necessary to preserve the after-tax yield the Bank would have received if such Taxes or Other Taxes had not been imposed.

(d) Within 30 days after the date of any payment by the Borrower of Taxes or Other Taxes, the Borrower shall furnish the Administrative Agent the original or a certified copy of a receipt evidencing payment thereof, or other evidence of payment satisfactory to the Administrative Agent.

(e) If the Borrower is required to pay additional amounts to any Bank or the Administrative Agent pursuant to subsection (c) of this Section, then such Bank shall use reasonable efforts (consistent with legal and regulatory restrictions) to change the jurisdiction of its Lending Office so as to eliminate any such additional payment by the Borrower which may thereafter accrue, if such change in the judgment of such Bank is not otherwise disadvantageous to such Bank.

. (a) If any Bank determines that the introduction of any Requirement of Law, or any change in any Requirement of Law, or in the interpretation or administration of any Requirement of Law, has made it unlawful, or that any central bank or other Governmental Authority has asserted that it is unlawful, for any Bank or its applicable Lending Office to make Eurodollar Rate Loans, then, on notice thereof by the Bank to the Borrower through the Administrative Agent, any obligation of that Bank to make Eurodollar Rate Loans shall be suspended until the Bank notifies the Administrative Agent and the Borrower that the circumstances giving rise to such determination no longer exist.

(b) If a Bank determines that it is unlawful to maintain any Eurodollar Rate Loan, the Borrower shall, upon its receipt of notice of such fact and demand from such Bank (with a copy to the Administrative Agent), prepay in full such Eurodollar Rate Loans of that Bank then outstanding, together with interest accrued thereon and amounts required under Section 4.04, either on the last day of the Interest Period thereof, if the Bank may lawfully continue to maintain such Eurodollar Rate Loans to such day, or immediately, if the Bank may not lawfully continue to maintain such Eurodollar Rate Loan. If the Borrower is required to so prepay any Eurodollar Rate Loan, then concurrently with such prepayment, the Borrower shall borrow from the affected Bank, in the amount of such repayment, a Base Rate Loan.

(c) If the obligation of any Bank to make or maintain Eurodollar Rate Loans has been so terminated or suspended, the Borrower may elect, by giving notice to the Bank through the Administrative Agent that all Loans which would otherwise be made by the Bank as Eurodollar Rate Loans shall be instead Base Rate Loans.

(d) Before giving any notice to the Administrative Agent under this Section, the affected Bank shall designate a different Lending Office with respect to its Eurodollar Rate Loans if such designation will avoid the need for giving such notice or making such demand and will not, in the judgment of the Bank, be illegal or otherwise disadvantageous to the Bank.

. (a) If any Bank determines that, due to either (i) the introduction of or any change (other than any change by way of imposition of or increase in reserve requirements included in the calculation of the Eurodollar Rate or in respect of the assessment rate payable by any Bank to the FDIC for insuring U.S. deposits) in or in the interpretation of any law or regulation or (ii) the compliance by that Bank with any guideline or request from any central bank or other Governmental Authority (whether or not having the force of law), there shall be any increase in the cost to such Bank of agreeing to make or making, funding or maintaining any Eurodollar Rate Loans or participating in Letters of Credit, or, in the case of any Issuing Bank, any increase in the cost to such

Issuing Bank of agreeing to issue, issuing or maintaining any Letter of Credit or of agreeing to make or making, funding or maintaining any unpaid drawing under any Letter of Credit, then the Borrower shall be liable for, and shall from time to time, upon demand (with a copy of such demand to be sent to the Administrative Agent), pay to the Administrative Agent for the account of such Bank, additional amounts as are sufficient to compensate such Bank for such increased costs.

(b) If any Bank shall have determined that (i) the introduction of any Capital Adequacy Regulation, (ii) any change in any Capital Adequacy Regulation, (iii) any change in the interpretation or administration of any Capital Adequacy Regulation by any central bank or other Governmental Authority charged with the interpretation or administration thereof, or (iv) compliance by the Bank (or its Lending Office) or any corporation controlling the Bank with any Capital Adequacy Regulation, affects or would affect the amount of capital required or expected to be maintained by the Bank or any corporation controlling the Bank and (taking into consideration such Bank's or such corporation's policies with respect to capital adequacy and such Bank's desired return on capital) determines that the amount of such capital is increased as a consequence of its Revolving Loan Commitments, Loans, credits or obligations under this Agreement, then, upon demand of such Bank to the Borrower through the Administrative Agent, the Borrower shall pay to the Bank, from time to time as specified by the Bank, additional amounts sufficient to compensate the Bank for such increase.

. The Borrower shall reimburse each Bank and hold each Bank harmless from any loss or expense which the Bank may sustain or incur as a consequence of:

(a) the failure of the Borrower to make on a timely basis any payment of principal of any Eurodollar Rate Loan;

(b) the failure of the Borrower to borrow, continue or convert a Loan after the Borrower has given (or is deemed to have given) a Notice of Borrowing or a Notice of Conversion/ Continuation;

(c) the failure of the Borrower to make any prepayment in accordance with any notice delivered under Section 2.06;

(d) the prepayment (including pursuant to Section 2.07) or other payment (including after acceleration thereof) of a Eurodollar Rate Loan on a day that is not the last day of the relevant Interest Period; or

(e) the automatic conversion under Section 2.04 of any Eurodollar Rate Loan to a Base Rate Loan on a day that is not the last day of the relevant Interest Period;

including any such loss or expense arising from the liquidation or reemployment of funds obtained by it to maintain its Eurodollar Rate Loans or from fees payable to terminate the deposits from which such funds were obtained. For purposes of calculating amounts payable by the Borrower to the Banks under this Section and under subsection 4.03(a), each Eurodollar Rate Loan made by a Bank (and each related reserve, special deposit or similar requirement) shall be conclusively deemed to have been funded at the LIBOR used in determining the Eurodollar Rate for such Eurodollar Rate Loan by a matching deposit or other borrowing in the interbank eurodollar market for a comparable amount and for a comparable period, whether or not such Eurodollar Rate Loan is in fact so funded.

. If the Administrative Agent determines that for any reason adequate and reasonable means do not exist for determining the Eurodollar Rate for any requested Interest Period with respect to a proposed Eurodollar Rate Loan or that the Eurodollar Rate applicable pursuant to subsection 2.09(a) for any requested Interest Period with respect to a proposed Eurodollar Rate Loan does not adequately and fairly reflect the cost to such Banks of funding such Loan, the Administrative Agent will promptly so notify the Borrower and each Bank. Thereafter, the obligation of the Banks to make or maintain Eurodollar Rate Loans, hereunder shall be suspended until the Administrative Agent upon the instruction of the Majority Banks revokes such notice in writing. Upon receipt of such notice, the Borrower may revoke any Notice of Borrowing or Notice of Conversion/Continuation then submitted by it. If the Borrower does not revoke such Notice, the Banks shall make, convert or continue the Loans, as proposed by the Borrower, in the amount specified in the applicable notice submitted by the Borrower, but such Loans shall be made, converted or continued as Base Rate Loans instead of Eurodollar Rate Loans.

. The agreements and obligations of the Borrower in this Article IV shall survive the payment of all other Obligations.

ARTICLE V

CONDITIONS PRECEDENT

. The effectiveness of the amendment and restatement of the Existing Credit Agreement is subject to the condition that the Administrative Agent have received on or before August 4, 1998 all of the following, in form and substance satisfactory to the Administrative Agent and, where provided below, each Bank, and in sufficient copies for each Bank:

(a) Credit Agreement and any Notes. This Agreement and any Notes requested by the Banks, executed by each party thereto.

(b) [Intentionally Omitted.]

(c) Resolutions; Incumbency.

(i) Copies of partnership authorizations for the Borrower and resolutions of the board of directors of the General

Partner authorizing the transactions contemplated hereby, certified as of the Restatement Effective Date by the Secretary or an Assistant Secretary of the General Partner; and

(ii) A certificate of the Secretary or Assistant Secretary of the General Partner certifying the names and true signatures of the officers of the General Partner authorized to execute, deliver and perform, as applicable, on behalf of the Borrower and the General Partner, this Agreement and all other Loan Documents to be delivered by the Borrower and the General Partner hereunder.

(d) Organization Documents; Good Standing. Each of the following documents:

(i) the articles or certificate of incorporation and the bylaws of the General Partner and the Certificate of Limited Partnership and the Partnership Agreement of the Borrower, in each case as in effect on the Restatement Effective Date, certified by the Secretary or Assistant Secretary of the General Partner as of the Restatement Effective Date;

(ii) a good standing and tax good standing certificate for the General Partner and the Borrower from the Secretary of State (or similar, applicable Governmental Authority) of its state of incorporation or organization, as applicable, and each other state designated by Administrative Agent where the General Partner or the Borrower conducts significant business, in each case as of a recent date.

(e) Legal Opinions.

(i) opinion of Bryan Cave LLP, counsel to the Borrower, the General Partner and the Guarantor, or of such other counsel as are acceptable to the Administrative Agent and the Banks, addressed to the Administrative Agent and the Banks, substantially in the form of Exhibit D; and

(ii) a favorable opinion of Orrick, Herrington & Sutcliffe LLP, special counsel to the Administrative Agent.

(f) Payment of Fees. Evidence of payment by the Borrower of all accrued and unpaid fees, costs and expenses to the extent then due and payable on the Restatement Effective Date, together with Attorney Costs of the Administrative Agent to the extent invoiced prior to or on the Restatement Effective Date, plus such additional amounts of Attorney Costs as shall constitute the Administrative Agent's reasonable estimate of Attorney Costs incurred or to be incurred by it through the closing proceedings (provided that such estimate shall not thereafter preclude final settling of accounts between the Borrower and the Administrative Agent); including any such costs, fees and expenses arising under or referenced in the Fee Letter or otherwise in Sections 2.10 and 11.04.

(g) Certificate. A certificate signed by a Responsible Officer, dated as of the Restatement Effective Date, stating that:

(i) the representations and warranties contained in Article VI are true and correct on and as of such date, as though made on and as of such date;

(ii) no Default or Event of Default exists or would result from the Credit Extension; and

(iii) there has occurred since April 30, 1998, no event or circumstance that has resulted or could reasonably be expected to result in a Material Adverse Effect.

(h) Redemption of Fixed Rate Senior Notes. Evidence that the Fixed Rate Senior Notes will be redeemed in full on the Restatement Effective Date in accordance with the terms of the 1994 Indenture.

(i) No Material Change. There shall have been no Material AdverseEffect between April 30, 1998 and the Restatement Effective Date

(j) Trading Policies. The trading position policy and the supply inventory position policy as in effect on the Restatement Effective Date, as evidenced by the written policies delivered to the Administrative Agent, shall be satisfactory to the Administrative Agent and the Majority Banks.

(k) Payments under Existing Credit Agreement. Evidence that all interest and fees accrued under the Existing Credit Agreement through and including the Restatement Effective Date shall have been paid by the Borrower.

(l) Issuance of 1998 Fixed Rate Senior Notes. Evidence that the 1998 Fixed Rate Senior Notes shall have been issued by the Borrower, on terms and conditions satisfactory to the Administrative Agent, Arranger and the Banks, in an aggregate amount of $350,000,000.

(m) Repayment of Existing Facility B Term Loans. Evidence that the existing Facility B Term Loans under the Existing Credit Agreement shall have been repaid in full by the Borrower.

(n) Other Documents. Such other approvals, opinions, documents or materials as the Administrative Agent or any Bank may request.

. The obligation of each Bank to make any Loan to be made by it (including its initial Loan) or to continue or convert any Loan under Section

2.04 and the obligation of the Issuing Banks to Issue any Letters of Credit (including any initial Letters of Credit) is subject to the satisfaction of the following conditions precedent on the relevant Borrowing Date, Conversion/Continuation Date or Issuance Date:

(a) Notice, Application. The Administrative Agent shall have received (with, in the case of the initial Loans only, a copy for each Bank) a Notice of Borrowing or a Notice of Conversion/Continuation, as applicable, or in the case of any Issuance of any Letter of Credit, the applicable Issuing Bank and the Administrative Agent shall have received an L/C Application or L/C Amendment Application, as required under Section 3.02;

(b) Continuation of Representations and Warranties. The representations and warranties in Article VI shall be true and correct in all material respects on and as of such Borrowing Date, Conversion/Continuation Date or Issuance Date with the same effect as if made on and as of such Borrowing Date, Conversion/Continuation Date or Issuance Date (except to the extent such representations and warranties expressly refer to an earlier date, in which case they shall be true and correct in all material respects as of such earlier date and other than Section 6.22, which shall be true and correct in all material respects on the Restatement Effective Date); and

(c) No Existing Default. No Default or Event of Default shall exist or shall result from such Borrowing, continuation or conversion or Issuance.

(d) 1998 Note Purchase Agreement. The incurrence and maintenance of such Loan or Letter of Credit, as the case may be, shall be permitted under Section 10.1 or Section 10.3, as applicable, of the 1998 Note Purchase Agreement and the Borrower shall have delivered to the Administrative Agent (1) an officer's certificate demonstrating compliance with such sections and (2) in the case of a Loan or Letter of Credit (other than a Loan for working capital purposes), an opinion of counsel to the Borrower and its Subsidiaries, which counsel shall be satisfactory to the Administrative Agent, to the effect that the incurrence and maintenance of such Loan or Letter of Credit, as applicable, does not violate any indenture, note purchase agreement or other credit arrangement of the Borrower or any of its Subsidiaries, and covering such other matters as may be reasonably requested by the Administrative Agent.

Each Notice of Borrowing, Notice of Conversion/Continuation and L/C Application or L/C Amendment Application submitted by the Borrower hereunder shall constitute a representation and warranty by the Borrower hereunder, as of the date of each such notice and as of each Borrowing Date, Conversion/Continuation Date or Issuance Date, as applicable, that the conditions in Section 5.02 are satisfied.

ARTICLE VI

REPRESENTATIONS AND WARRANTIES

Each of the Borrower and the General Partner represents and warrants to the Administrative Agent and each Bank that:

. The General Partner, the MLP, the Borrower and each of its Subsidiaries: (a) is a corporation or partnership duly organized, validly existing and in good standing under the laws of the jurisdiction of its formation;

(b) has the power and authority and all governmental licenses, authorizations, consents and approvals to own its assets, carry on its business as now being or as proposed to be conducted and to execute, deliver, and perform its obligations under the Loan Documents;

(c) is duly qualified as a foreign corporation or partnership and is licensed and in good standing under the laws of each jurisdiction where its ownership, lease or operation of property or the conduct of its business requires such qualification or license or where the failure so to qualify would have a Material Adverse Effect; and

(d) is in compliance with all material Requirements of Law.

. The execution, delivery and performance by the Borrower and the General Partner of this Agreement and each other Loan Document to which the General Partner, the Borrower or any Subsidiary is party, have been duly authorized by all necessary partnership action on behalf of the Borrower and all necessary corporate action on behalf of the General Partner and any Subsidiary, and do not and will not:

(a) contravene the terms of any of the General Partner's, the MLP's, the Borrower's or any Subsidiary's Organization Documents;

(b) conflict with or result in any breach or contravention of, or the creation of any Lien under, any document evidencing any Contractual Obligation to which the General Partner, the MLP, the Borrower or any Subsidiary is a party or any order, injunction, writ or decree of any Governmental Authority to which such Person or its property is subject where such conflict, breach, contravention or Lien could reasonably be expected to have a Material Adverse Effect; or

(c) violate any material Requirement of Law.

. No approval, consent, exemption, authorization, or other action by, or notice to, or filing with, any Governmental Authority is necessary or required in connection with (a) the execution, delivery or performance by, or enforcement against, the General Partner, the Borrower or any Subsidiary of this Agreement or any other Loan Document, or (b) the continued operation of Borrower's business as contemplated to be conducted after the date hereof by the

Loan Documents, except in each case such approvals, consents, exemptions, authorizations or other actions, notices or filings (i) as have been obtained, (ii) as may be required under state securities or Blue Sky laws, (iii) as are of a routine or administrative nature and are either (A) not customarily obtained or made prior to the consummation of transactions such as the transactions described in clauses (a) or (b) or (B) expected in the judgment of the Borrower to be obtained in the ordinary course of business subsequent to the consummation of the transactions described in clauses (a) or (b), or (iv) that, if not obtained, could not reasonably be expected to have a Material Adverse Effect.

. This Agreement and each other Loan Document to which the General Partner, the Borrower or any Subsidiary is a party constitute the legal, valid and binding obligations of such Person, enforceable against such Person in accordance with their respective terms, except as enforceability may be limited by applicable bankruptcy, insolvency, or similar laws affecting the enforcement of creditors' rights generally or by equitable principles relating to enforceability.

. There are no actions, suits, proceedings, claims or disputes pending, or to the best knowledge of the Borrower, threatened or contemplated, at law, in equity, in arbitration or before any Governmental Authority, against the General Partner, the MLP, the Borrower or any of its Subsidiaries or any of their respective properties which:

(a) purport to affect or pertain to this Agreement or any other Loan Document or any of the transactions contemplated hereby or thereby; or

(b) if determined adversely to the Borrower or its Subsidiaries, would reasonably be expected to have a Material Adverse Effect. No injunction, writ, temporary restraining order or any order of any nature has been issued by any court or other Governmental Authority purporting to enjoin or restrain the execution, delivery or performance of this Agreement or any other Loan Document, or directing that the transactions provided for herein or therein not be consummated as herein or therein provided.

. No Default or Event of Default exists or would result from the incurring, continuing or converting of any Obligations by the Borrower. As of the Restatement Effective Date, neither the Borrower nor any Affiliate of the Borrower is in default under or with respect to any Contractual Obligation in any respect which, individually or together with all such defaults, could reasonably be expected to have a Material Adverse Effect, or that would, if such default had occurred after the Restatement Effective Date, create an Event of Default under subsection 9.01(e).

. (a) Each Plan is in compliance in all material respects with the applicable provisions of ERISA, the Code and other federal or state law. Each Plan which is intended to qualify under Section 401(a) of the Code has received a favorable determination letter from the IRS and to the best knowledge of the Borrower and the General Partner, nothing has occurred which would cause the loss of such qualification.

(b) There are no pending, or to the best knowledge of Borrower and the General Partner, threatened claims, actions or lawsuits, or action by any Governmental Authority, with respect to any Plan which has resulted or could reasonably be expected to result in a Material Adverse Effect. There has been no prohibited transaction or other violation of the fiduciary responsibility rule with respect to any Plan which could reasonably result in a Material Adverse Effect.

(c) No ERISA Event has occurred or is reasonably expected to occur with respect to any Pension Plan.

(d) No Pension Plan has any Unfunded Pension Liability, except that the Ferrellgas, Inc. Retirement Income Plan has an Unfunded Pension Liability in the amount of $921,304, however, the Ferrellgas, Inc. Retirement Income Plan is not underfunded.

(e) The Borrower has not incurred, nor does it reasonably expect to incur, any liability under Title IV of ERISA with respect to any Pension Plan (other than premiums due and not delinquent under Section 4007 of ERISA).

(f) The Borrower has not transferred any Unfunded Pension Liability to any Person or otherwise engaged in a transaction that could be subject to Section 4069 of ERISA.

(g) Except as specifically disclosed in Schedule 6.07, no trade or business (whether or not incorporated under common control with the Borrower within the meaning of Section 414(b), (c), (m) or (o) of the Code) maintains or contributes to any Pension Plan or other Plan subject to Section 412 of the Code. Except as specifically disclosed in Schedule 6.07, neither the Borrower nor any Person under common control with the Borrower (as defined in the preceding sentence) has ever contributed to any multiemployer plan within the meaning of Section 4001(a)(3) of ERISA.

. The proceeds of the Loans are to be used solely for the purposes set forth in and permitted by Section 7.11 and Section 8.07. Neither the Borrower nor any Affiliate of the Borrower is generally engaged in the business of purchasing or selling Margin Stock or extending credit for the purpose of purchasing or carrying Margin Stock.

. The Borrower and each Subsidiary have good record and marketable title in fee simple to, or valid leasehold interests in, all real property necessary or used in the ordinary conduct of their respective businesses, except for such defects in title as could not, individually or in the aggregate, have a Material Adverse Effect. As of the Restatement Effective Date and subject to the preceding sentence, the property of the Borrower and its Subsidiaries is subject

to no Liens other than Permitted Liens.

. The General Partner has filed all Federal and other material tax returns and reports required to be filed, for itself and for the Borrower, and has paid all Federal and other material taxes, assessments, fees and other governmental charges levied or imposed upon it or its properties, income or assets otherwise due and payable, except those which are being contested in good faith by appropriate proceedings and for which adequate reserves have been provided in accordance with GAAP. There is no proposed tax assessment against the Borrower that would, if made, have a Material Adverse Effect.

. (a) The audited consolidated financial statements of the General Partner, the Borrower, the MLP and their respective Subsidiaries dated July 31, 1997 and the unaudited consolidated financial statements of the General Partner, the Borrower, the MLP and their respective Subsidiaries dated April 30, 1998, in each case together with the related consolidated statements of income or operations, shareholders' equity and cash flows for the fiscal periods ended on those respective dates:

(i) were prepared in accordance with GAAP consistently applied throughout the period covered thereby, except as otherwise expressly noted therein, subject to ordinary, good faith year end audit adjustments;

(ii) fairly present the financial condition of the Borrower and its Subsidiaries as of the date thereof and results of operations for the period covered thereby; and

(iii) show all material indebtedness and other liabilities, direct or contingent, of the Borrower and its consolidated Subsidiaries as of the date thereof, including liabilities for taxes, material commitments and Contingent Obligations.

(b) Since April 30, 1998, there has been no Material Adverse Effect.

(c) The General Partner, the MLP, the Borrower and each of the other Subsidiaries of the Borrower are each Solvent, both before and after giving effect to the consummation of each of the transactions contemplated by the Loan Documents.

. The Borrower conducts in the ordinary course of business a review of the effect of existing Environmental Laws and existing Environmental Claims on its business, operations and properties, and as a result thereof the Borrower has reasonably concluded that such Environmental Laws and Environmental Claims could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

. None of the Borrower or any Affiliate of the Borrower, is an "Investment Company" within the meaning of the Investment Company Act of 1940. The Borrower is not subject to regulation under the Public Utility Holding Company Act of 1935, the Federal Power Act, the Interstate Commerce Act, any state public utilities code, or any other Federal or state statute or regulation limiting its ability to incur Indebtedness.

. Neither the Borrower nor any Subsidiary is a party to or bound by any Contractual Obligation, or subject to any restriction in any Organization Document, or any Requirement of Law, which could reasonably be expected to have a Material Adverse Effect.

The Borrower and its Subsidiaries own or are licensed or otherwise have the right to use all of the patents, trademarks, service marks, trade names, copyrights, contractual franchises, authorizations and other rights that are reasonably necessary for the operation of their respective businesses, without conflict with the rights of any other Person. To the best knowledge of the Borrower, no slogan or other advertising device, product, process, method, substance, part or other material now employed, or now contemplated to be employed, by the Borrower or any Subsidiary infringes upon any rights held by any other Person. No claim or litigation regarding any of the foregoing is pending or, to the best knowledge of the Borrower, threatened, and no patent, invention, device, application, principle or any statute, law, rule, regulation, standard or code is pending or, to the knowledge of the Borrower, proposed, which, in either case, could reasonably be expected to have a Material Adverse Effect.

. The Borrower has no Subsidiaries or other Affiliates other than those specifically disclosed in part (a) of Schedule 6.16 hereto and has no equity investments in any other corporation or entity other than those Permitted Investments specifically disclosed in part (b) of Schedule 6.16.

. The properties of the Borrower and its Subsidiaries are insured with financially sound and reputable insurance companies not Affiliates of the Borrower, in such amounts, with such deductibles and covering such risks as are customarily carried by companies engaged in similar businesses and owning similar properties in localities where the Borrower or such Subsidiary operates.

. The Borrower is subject to taxation under the Code only as a partnership and not as a corporation.

. None of the representations or warranties made by the Borrower or any Affiliate of the Borrower in the Loan Documents as of the date such representations and warranties are made or deemed made, and none of the statements contained in any exhibit, report, statement or certificate furnished by or on behalf of the Borrower or any Affiliate of the Borrower in connection with the Loan Documents contains any untrue statement of a material fact or omits any material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they are made, not misleading as of the time when made or delivered.

. None of the Borrower and its Subsidiaries is a party to any contract for the supply of propane or other product except where (a) the purchase price is set with reference to a spot index or indices substantially contemporaneously with the delivery of such product or (b) delivery of such propane or other product is to be made no more than one year after the purchase price is agreed to.

. The Borrower has provided to the Administrative Agent an accurate and complete summary of its trading position policy and supply inventory position policy and the Borrower has complied in all respects with such policies.

As of the Restatement Effective Date, all actions, notices and consents required for the redemption in full of the Fixed Rate Senior Notes in compliance with the 1994 Indenture and the Fixed Rate Senior Notes have been made, taken and obtained.

. The Borrower and its Subsidiaries have reviewed the areas within their business and operations which could be adversely affected by, and have developed or are developing a program to address on a timely basis, the "Year 2000 Problem" (that is, the risk that computer applications used by the Borrower and its Subsidiaries may be unable to recognize and perform properly date-sensitive functions involving certain dates prior to and any date on or after December 31, 1999), and have made related appropriate inquiry of material suppliers and vendors. Based on such review and program, the Borrower believes that the "Year 2000 Problem" will not have a Material Adverse Effect.

ARTICLE VII

AFFIRMATIVE COVENANTS

So long as any Bank shall have any Revolving Loan Commitment hereunder, or any Loan or other Obligation shall remain unpaid or unsatisfied, or any Letter of Credit shall remain outstanding, unless the Majority Banks waive compliance in writing:

. The Borrower shall deliver to the Administrative Agent, in form and detail satisfactory to the Administrative Agent and the Majority Banks and consistent with the form and detail of financial statements and projections provided to the Administrative Agent by the Borrower and its Affiliates prior to the Restatement Effective Date, with sufficient copies for each Bank:

(a) as soon as available, but not later than 100 days after the end of each fiscal year (commencing with the fiscal year ended July 31, 1998), a copy of the audited consolidated balance sheet of the Borrower and its Subsidiaries as at the end of such year and the related consolidated statements of income or operations, partners' or shareholders' equity and cash flows for such year, setting forth in each case in comparative form the figures for the previous fiscal year, and accompanied by the opinion of a nationally-recognized independent public accounting firm ("Independent Auditor") which report shall state that such consolidated financial statements present fairly the financial position for the periods indicated in conformity with GAAP applied on a basis consistent with prior years. Such opinion shall not be qualified or limited in any manner, including on account of any limitation on it because of a restricted or limited examination by the Independent Auditor of any material portion of the Borrower's or any Subsidiary's records;

(b) as soon as available, but not later than 45 days after the end of each of the first three fiscal quarters of each fiscal year (commencing with the fiscal quarter ended October 31, 1998), a copy of the unaudited consolidated balance sheet of the Borrower and its Subsidiaries as of the end of such quarter and the related consolidated statements of income, partners' or shareholders' equity and cash flows for the period commencing on the first day and ending on the last day of such quarter, and certified by a Responsible Officer as fairly presenting, in accordance with GAAP (subject to ordinary, good faith year-end audit adjustments), the financial position and the results of operations of the Borrower and the Subsidiaries;

(c) as soon as available, but not later than 100 days after the end of each fiscal year (commencing with the first fiscal year during all or any part of which the Borrower had one or more Significant Subsidiaries), a copy of an unaudited consolidating balance sheet of the Borrower and its Subsidiaries as at the end of such year and the related consolidating statement of income, partners' or shareholders' equity and cash flows for such year, certified by a Responsible Officer as having been developed and used in connection with the preparation of the financial statements referred to in subsection 7.01(a);

(d) as soon as available, but not later than 45 days after the end of each of the first three fiscal quarters of each fiscal year (commencing with the first fiscal quarter during all or any part of which the Borrower had one or more Significant Subsidiaries), a copy of the unaudited consolidating balance sheets of the Borrower and its Subsidiaries, and the related consolidating statements of income, partners' or shareholders' equity and cash flows for such quarter, all certified by a Responsible Officer as having been developed and used in connection with the preparation of the financial statements referred to in subsection 7.01(b);

(e) as soon as available, but not later than 60 days after the end of each fiscal year (commencing with the fiscal year beginning August 1, 1998), projected consolidated balance sheets of the Borrower and its Subsidiaries as at the end of each of the current and following two fiscal years and related projected consolidated statements of income, partners' or shareholders' equity and cash flows for each such fiscal year, including therein a budget for the current fiscal year, certified by a Responsible Officer as having been developed and prepared by the Borrower in good faith and based upon the Borrower's best estimates and best available information;

(f) as soon as available, but not later than 100 days after

the end of each fiscal year of the General Partner, commencing with the fiscal year ended July 31, 1998, a copy of the unaudited (or audited, if available) consolidated balance sheets of the General Partner as of the end of such fiscal year and the related consolidated statements of income, shareholders' equity and cash flows for such fiscal year, certified by a Responsible Officer as fairly presenting, in accordance with GAAP, the financial position and the results of operations of the General Partner and its Subsidiaries (or, if available, accompanied by an opinion of an Independent Auditor as described in subsection 7.01(a)); and

(g) as soon as available, but not later than 45 days after the end of each of the first three fiscal quarters of each fiscal year and, with respect to the final fiscal quarter, concurrently with the financial statements referred to in subsection 7.01(a), a trading position report as of the last day of each fiscal quarter, certified by a Responsible Officer.

. The Borrower shall furnish to the Administrative Agent, with sufficient copies for each Bank:

(a) concurrently with the delivery of the financial statements referred to in subsection 7.01(a), a certificate of the Independent Auditor stating that in making the examination necessary therefor no knowledge was obtained of any Default or Event of Default, except as specified in such certificate;

(b) concurrently with the delivery of the financial statements referred to in subsections 7.01(a) and (b), a Compliance Certificate executed by a Responsible Officer with respect to the periods covered by such financial statements together with supporting calculations and such other supporting detail as the Administrative Agent and Majority Banks shall require;

(c) promptly, copies of all financial statements and reports that the Borrower, the General Partner, the MLP or any Subsidiary sends to its partners or shareholders, and copies of all financial statements and regular, periodic or special reports (including Forms 10-K, 10-Q and 8-K) that the Borrower or any Affiliate of the Borrower, the General Partner, the MLP or any Subsidiary may make to, or file with, the SEC; and

(d) promptly, such additional information regarding the business, financial or corporate affairs of the Borrower, the General Partner, the MLP or any Subsidiary as the Administrative Agent, at the request of any Bank, may from time to time request.

. The Borrower shall promptly notify the Administrative Agent and eac Bank:

(a) of the occurrence of any Default or Event o Default, and of the occurrence or existence of any event or circumstance that foreseeably will become a Default or Event of Default;

(b) of any matter that has resulted or may reasonably be expected to result in a Material Adverse Effect, including (i) breach or non-performance of, or any default under, a Contractual Obligation of the Borrower, the General Partner, the MLP or any Subsidiary; (ii) any dispute, litigation, investigation, proceeding or suspension between the Borrower, the General Partner, the MLP or any Subsidiary and any Governmental Authority; or (iii) the commencement of, or any material development in, any litigation or proceeding affecting the Borrower, the General Partner, the MLP or any Subsidiary, including pursuant to any applicable Environmental Laws;

(c) of any of the following events affecting the Borrower, the General Partner, the MLP or any Subsidiary, together with a copy of any notice with respect to such event that may be required to be filed with a Governmental Authority and any notice delivered by a Governmental Authority to such Person with respect to such event:

(i) an ERISA Event;

(ii) if any of the representations and warranties in Section 6.07 ceases to be true and correct;

(iii) the adoption of any new Pension Plan or other Plan subject to Section 412 of the Code;

(iv) the adoption of any amendment to a Pension Plan or other Plan subject to Section 412 of the Code, if such amendment results in a material increase in contributions or Unfunded Pension Liability; or

(v) the commencement of contributions to any Pension Plan or other Plan subject to Section 412 of the Code;

(d) of any material change in accounting policies or financial reporting practices by the Borrower or any of its consolidated Subsidiaries; and

(e) not later than five Business Days after the effective date of a change in the Borrower's trading position policy or inventory supply position policy, of any change in either policy.

Each notice under this Section shall be accompanied by a written statement by a Responsible Officer setting forth details of the occurrence referred to therein, and stating what action the Borrower or any affected Affiliate proposes to take with respect thereto and at what time. Each notice under subsection 7.03(a) shall describe with particularity any and all clauses or provisions of this Agreement or other Loan Document that have been (or foreseeably will be) breached or violated.

The General Partner and the Borrower shall, and the Borrower shall cause each Subsidiary to:

(a) preserve and maintain in full force and effect its partnership or corporate existence and good standing under the laws of its state or jurisdiction of organization or incorporation except in connection with transactions permitted by Section 8.03;

(b) preserve and maintain in full force and effect all governmental rights, privileges, qualifications, permits, licenses and franchises necessary or desirable in the normal conduct of its business except in connection with transactions permitted by Section 8.03 and sales of assets permitted by Section 8.02;

(c) use reasonable efforts, in the ordinary course of business, to preserve its business organization and goodwill; and

(d) preserve or renew all of its registered patents, trademarks, trade names and service marks, the non-preservation of which could reasonably be expected to have a Material Adverse Effect.

. The Borrower shall maintain, and shall cause each Subsidiary to maintain, and preserve all its property which is used or useful in its business in good working order and condition, ordinary wear and tear excepted. The Borrower and each Subsidiary shall use the standard of care typical in the industry in the operation and maintenance of its facilities.

. The Borrower shall maintain, and shall cause each Subsidiary to maintain, with financially sound and reputable independent insurers, insurance with respect to its properties and business against loss or damage of the kinds customarily insured against by Persons engaged in the same or similar business, of such types and in such amounts as are customarily carried under similar circumstances by such other Persons.

. The Borrower and the General Partner shall, and shall cause each Subsidiary to, pay and discharge as the same shall become due and payable (except to the extent the failure to so pay and discharge could not reasonably be expected to have a Material Adverse Effect), all their respective obligations and liabilities, including:

(a) all tax liabilities, assessments and governmental charges or levies upon it or its properties or assets, unless the same are being contested in good faith by appropriate proceedings and adequate reserves in accordance with GAAP are being maintained by the Borrower, the General Partner or such Subsidiary;

(b) all lawful claims which, if unpaid, would by law become a Lien upon its property, unless such claims are being contested in good faith by appropriate proceedings and adequate reserves in accordance with GAAP are being maintained by the Borrower, the General Partner or such Subsidiary; and

(c) all Indebtedness, as and when due and payable, but subject to any subordination provisions contained in any instrument or agreement evidencing such Indebtedness.

. The Borrower shall comply, and shall cause each Subsidiary to comply, in all material respects with all Requirements of Law of any Governmental Authority having jurisdiction over it or its business (including the Federal Fair Labor Standards Act), except such as may be contested in good faith or as to which a bona fide dispute may exist.

. The Borrower shall maintain and shall cause each Subsidiary to maintain proper books of record and account, in which full, true and correct entries in conformity with GAAP consistently applied shall be made of all financial transactions and matters involving the assets and business of the Borrower and such Subsidiary. The Borrower shall permit, and shall cause each Subsidiary to permit, representatives and independent contractors of the Administrative Agent or any Bank to visit and inspect any of their respective properties, to examine their respective corporate, financial and operating records, and make copies thereof or abstracts therefrom, and to discuss their respective affairs, finances and accounts with their respective directors, officers, and independent public accountants, all at the expense of the Borrower and at such reasonable times during normal business hours and as often as may be reasonably desired, upon reasonable advance notice to the Borrower; provided, however, when an Event of Default exists the Administrative Agent or any Bank may do any of the foregoing at the expense of the Borrower at any time during normal business hours and without advance notice.

. The Borrower shall, and shall cause each Subsidiary to, conduct its operations and keep and maintain its property in material compliance with all Environmental Laws.

. The Borrower shall use the proceeds of (a) the Facility A Revolving Loans for working capital purposes only, (b) the Facility B Revolving Loans for working capital and other general partnership purposes and (c) the Facility C Revolving Loans for Acquisitions and other general partnership purposes, in each case not in contravention of any Requirement of Law or of any Loan Document.

..12 Financial Covenants

(a) Leverage Ratio. The Borrower shall maintain as of the last day of each fiscal quarter a Leverage Ratio equal to or less than 4.50 to 1.00; provided, that to the extent the Borrower borrows Loans to make Restricted Payments within 45 days after the end of any fiscal quarter, the aggregate amount of Loans so borrowed shall be added to the amount of Funded Debt outstanding at the end of such quarter for purposes of determining the Leverage Ratio at the end of such quarter. For purposes of this Section 7.12(a), (x) Funded Debt and Synthetic Lease Obligations shall be calculated as of the last day of such fiscal quarter and (y) Consolidated Cash Flow shall be calculated

for the most recently ended four consecutive fiscal quarters; provided, however, that prior to or concurrently with each delivery of a Compliance Certificate pursuant to Section 7.02(b), the Borrower may elect to calculate Consolidated Cash Flow for the most recently ended eight consecutive fiscal quarters (in which case Consolidated Cash Flow shall be divided by two).

(b) Interest Coverage Ratio. The Borrower shall maintain, as of the last day of each fiscal quarter of the Borrower, an Interest Coverage Ratio for the fiscal period consisting of such fiscal quarter and the three immediately preceding fiscal quarters of at least 2.50 to 1.00.

. The Borrower and its Affiliates shall comply with the Borrower's trading position policy and supply inventory position policy as in effect on January 31, 1998, copies of which have been provided to the Administrative Agent on or prior to the Restatement Effective Date; provided, however, that the Borrower and its Affiliates may, during any period of four consecutive fiscal quarters, (a) increase the stop loss limit specified in either the trading position or supply inventory position policy by up to 100% of the amount of such limit as in effect on July 5, 1994 and (b) increase the volume limit specified in either of such policies on the number of barrels of a single product or of all products in the aggregate by up to 100% of each such number as in effect on July 5, 1994.

..14 Other General Partner Obligations

(a) The General Partner shall cause the Borrower to pay and perform each of its Obligations when due. The General Partner acknowledges and agrees that it is executing this Agreement as a principal as well as the general partner on behalf of the Borrower, and that its obligations hereunder as general partner are full recourse obligations to the same extent as those of the Borrower.

(b) The General Partner represents, warrants and covenants that it is Solvent, both before and after giving effect to the consummation of the transactions contemplated by the Loan Documents, and that it will remain Solvent until all Obligations hereunder shall have been repaid in full and all commitments shall have terminated.

(c) The General Partner, for so long as it is the general partner of the Borrower, (i) agrees that its sole business will be to act as the general partner of the Borrower, the MLP and any further limited partnership of which the Borrower or the MLP is, directly or indirectly, a limited partner and to undertake activities that are ancillary or related thereto (including being a limited partner in the Borrower), (ii) shall not enter into or conduct any business or incur any debts or liabilities except in connection with or incidental to (A) its performance of the activities required or authorized by the partnership agreement of the MLP or the Partnership Agreement or described in or contemplated by the MLP Registration Statement, and (B) the acquisition, ownership or disposition of Partnership Interests in the Borrower or partnership interests in the MLP or any further limited partnership of which the Borrower or the MLP is, directly or indirectly, a limited partner, except that, notwithstanding the foregoing, employees of the General Partner may perform services for Ferrell Companies, Inc. and its Affiliates.

(d) The General Partner agrees that, until all Obligations hereunder shall have been repaid in full and all commitments shall have terminated, it will not exercise any rights it may have (at law, in equity, by contract or otherwise) to terminate, limit or otherwise restrict (whether through repurchase or otherwise and whether or not the General Partner shall remain a general partner in the Borrower) the ability of the Borrower to use the name "Ferrellgas".

(e) The General Partner shall not take any action or refuse to take any reasonable action the effect of which, if taken or not taken, as the case may be, would be to cause the Borrower to be treated as an association taxable as a corporation or otherwise to be taxed as an entity other than a partnership for federal income tax purposes.

. If one or more judgments, orders, decrees or arbitration awards is entered against the Borrower or any Subsidiary involving in the aggregate a liability (to the extent not covered by independent third-party insurance as to which the insurer does not dispute coverage other than through a standard reservation of rights letter) as to any single or related series of transactions, incidents or conditions, of more than $10 million, then the Borrower shall reserve for such amount in excess of $10 million, on a quarterly basis, with each quarterly reserve being at least equal to one-twelfth of such amount in excess of $10 million. Such amount so reserved shall be treated as establishment of a reserve for purposes of calculating Available Cash hereunder.

. The Borrower shall ensure that all of the computer software, computer firmware, computer hardware (whether general or special purpose), and other similar or related items of automated, computerized, and/or software system(s) that are used or relied on by the Borrower or any Subsidiary in the conduct of its business will not malfunction, will not cease to function, will not generate incorrect data, and will not produce material incorrect results when processing, providing and/or receiving date-related data in connection with any valid date in the twentieth and twenty-first centuries. From time to time, at the request of any Bank, the Borrower and its Subsidiaries shall provide to such Bank such updated information or documentation as is requested regarding the status of their efforts to address the Year 2000 Problem (as defined in Section 6.23).

ARTICLE VIII

NEGATIVE COVENANTS

So long as any Bank shall have any Revolving Loan Commitment hereunder, or any Loan or other Obligation shall remain unpaid or unsatisfied, or any Letter of Credit shall remain outstanding, unless the Majority Banks

waive compliance in writing:

. The Borrower shall not, and shall not suffer or permit any Subsidiary to, directly or indirectly, make, create, incur, assume or suffer to exist any Lien upon or with respect to any part of its property or sell any of its accounts receivable, whether now owned or hereafter acquired, other than the following ("Permitted Liens"):

(a) Liens existing on the Restatement Effective Date set forth in Schedule 8.01 of the Existing Credit Agreement;

(b) Liens in favor of the Borrower or Liens to secure Indebtedness of a Subsidiary to the Borrower or a Wholly-Owned Subsidiary;

(c) Liens on property of a Person existing at the time such Person is merged into or consolidated with the Borrower or any Subsidiary, provided that such Liens were in existence prior to the contemplation of such merger or consolidation and do not extend to any assets other than those of the Person merged into or consolidated with the Borrower;

(d) Liens on property existing at the time acquired by the Borrower or any Subsidiary, provided that such Liens were in existence prior to the contemplation of such acquisition and do not extend to any assets other than those of the Person acquired;

(e) Liens on any property or asset acquired by the Borrower or any Subsidiary in favor of the seller of such property or asset and construction mortgages on property, in each case, created within six months after the date of acquisition, construction or improvement of such property or asset by the Borrower or such Subsidiary to secure the purchase price or other obligation of the Borrower or such Subsidiary to the seller of such property or asset or the construction or improvement cost of such property in an amount up to 80% of the total cost of the acquisition, construction or improvement of such property or asset; provided that in each case such Lien does not extend to any other property or asset of the Borrower and its Subsidiaries;

(f) Liens incurred or pledges and deposits made in connection with worker's compensation, unemployment insurance and other social security benefits and Liens to secure the performance of statutory obligations, surety or appeal bonds, performance bonds or other obligations of a like nature, in each case, incurred in the ordinary course of business;

(g) Liens for taxes, assessments or governmental charges or claims that are not yet delinquent or that are being contested in good faith by appropriate proceedings promptly instituted and diligently concluded, provided that any reserve or other appropriate provision as shall be required in conformity with GAAP shall have been made therefor;

(h) Liens imposed by law, such as mechanics', carriers', warehousemen's, materialmen's, and vendors' Liens, incurred in good faith in the ordinary course of business with respect to amounts not yet delinquent or being contested in good faith by appropriate proceedings if a reserve or other appropriate provisions, if any, as shall be required by GAAP shall have been made therefor;

(i) zoning restrictions, easements, licenses, covenants, reservations, restrictions on the use of real property or minor irregularities of title incident thereto that do not, in the aggregate, materially detract from the value of the property or the assets of the Borrower or any of its Subsidiaries or impair the use of such property in the operation of the business of the Borrower or any of its Subsidiaries;

(j) Liens of landlords or mortgages of landlords, arising solely by operation of law, on fixtures and movable property located on premises leased by the Borrower or any of its Subsidiaries in the ordinary course of business;

(k) Liens incurred and financing statements filed or recorded, in each case with respect to personal property leased by the Borrower and its Subsidiaries in the ordinary course of business to the owners of such personal property which are either (i) operating leases (including, without limitation, Synthetic Leases) or (ii) Capital Leases to the extent (but only to the extent) permitted by Section 8.05; provided, that in each case such Lien does not extend to any other property or asset of the Borrower and its Subsidiaries;

(l) judgment Liens to the extent that such judgments do not cause or constitute a Default or an Event of Default;

(m) Liens incurred in the ordinary course of business of the Borrower or any Subsidiary with respect to obligations that do not exceed $5,000,000 in the aggregate at any one time outstanding and that (i) are not incurred in connection with the borrowing of money or the obtaining of advances or credit (other than trade credit in the ordinary course of business) and (ii) do not in the aggregate materially detract from the value of the property or materially impair the use thereof in the operation of business by the Borrower or such Subsidiary;

(n) Liens securing Indebtedness incurred to refinance Indebtedness that has been secured by a Lien otherwise permitted under this Agreement, provided that (i) any such Lien shall not extend to or cover any assets or property not securing the Indebtedness so refinanced and (ii) the refinancing Indebtedness secured by such Lien shall have been permitted to be incurred under Section 8.05 hereof and shall not have a principal amount in excess of the Indebtedness so refinanced;

(o) any extension or renewal, or successive extensions or

renewals, in whole or in part, of Liens permitted pursuant to the foregoing clauses (a) through (n); provided that no such extension or renewal Lien shall (i) secure more than the amount of Indebtedness or other obligations secured by the Lien being so extended or renewed or (ii) extend to any property or assets not subject to the Lien being so extended or renewed; and

(p) Liens in favor of the Administrative Agent, any Issuing Bank and the Banks relating to the Cash Collateralization of the Borrower's Obligations.

. The Borrower shall not, and shall not permit any of its Subsidiaries to, (i) sell, lease, convey or otherwise dispose of any assets (including by way of a sale-and-leaseback) other than sales of inventory in the ordinary course of business consistent with past practice (provided that the sale, lease, conveyance or other disposition of all or substantially all of the assets of the Borrower shall be governed by the provisions of Section 8.03 hereof and not by the provisions of this Section 8.02), or (ii) issue or sell Equity Interests of any of its Subsidiaries, in the case of either clause (i) or (ii) above, whether in a single transaction or a series of related transactions, (A) that have a fair market value in excess of $5,000,000, or (B) for net proceeds in excess of $5,000,000 (each of the foregoing, an "Asset Sale"), unless (X) the Borrower (or the Subsidiary, as the case may be) receives consideration at the time of such Asset Sale at least equal to the fair market value (evidenced by a resolution of the board of directors of the General Partner (and, if applicable, the audit committee of such board of directors) set forth in a certificate signed by a Responsible Officer and delivered to the Administrative Agent) of the assets sold or otherwise disposed of and (Y) at least 80% of the consideration therefor received by the Borrower or such Subsidiary is in the form of cash; provided, however, that the amount of (1) any liabilities (as shown on the Borrower's or such Subsidiary's most recent balance sheet or in the notes thereto), of the Borrower or any Subsidiary (other than liabilities that are by their terms subordinated in right of payment to the Obligations hereunder) that are assumed by the transferee of any such assets and (2) any notes or other obligations received by the Borrower or any such Subsidiary from such transferee that are immediately converted by the Borrower or such Subsidiary into cash (to the extent of the cash received), shall be deemed to be cash for purposes of this provision; and provided, further, that the 80% limitation referred to in this clause (Y) shall not apply to any Asset Sale in which the cash portion of the consideration received therefrom, determined in accordance with the foregoing proviso, is equal to or greater than what the after-tax proceeds would have been had such Asset Sale complied with the aforementioned 80% limitation. Notwithstanding the foregoing, Asset Sales shall not be deemed to include (x) any transfer of assets by the Borrower or any of its Subsidiaries to a Subsidiary of the Borrower that is a Guarantor, (y) any transfer of assets by the Borrower or any of its Subsidiaries to any Person in exchange for other assets used in a line of business permitted under Section 8.15 hereof and having a fair market value not less than that of the assets so transferred and (z) any transfer of assets pursuant to a Permitted Investment.

..03 Consolidations and Mergers

(a) The Borrower shall not consolidate or merge with or into (whether or not the Borrower is the surviving Person), or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of its properties or assets in one or more related transactions, to another Person unless (i) the Borrower is the surviving Person, or the Person formed by or surviving any such consolidation or merger (if other than the Borrower) or to which such sale, assignment, transfer, lease, conveyance or other disposition shall have been made is a corporation or partnership organized or existing under the laws of the United States, any state thereof or the District of Columbia; and (ii) the Person formed by or surviving any such consolidation or merger (if other than the Borrower) or Person to which such sale, assignment, transfer, lease, conveyance or other disposition shall have been made assumes all the Obligations of the Borrower pursuant to an assumption agreement in a form reasonably satisfactory to the Administrative Agent, under this Agreement; (iii) immediately after such transaction no Default or Event of Default exists; and (iv) the Borrower or any Person formed by or surviving any such consolidation or merger, or to which such sale, assignment, transfer, lease, conveyance or other disposition shall have been made (A) shall have Consolidated Net Worth (immediately after the transaction but prior to any purchase accounting adjustments resulting from the transaction) equal to or greater than the Consolidated Net Worth of the Borrower immediately preceding the transaction and (B) shall, at the time of such transaction and after giving effect thereto, be permitted to incur at least $1.00 of additional Indebtedness pursuant to the Leverage Ratio test set forth in Section 7.12(a).

(b) Within five days after the Restatement Effective Date, Finance Corp. shall be either dissolved or merged with or into the Borrower (in which case the Borrower shall be the surviving Person).

(c) The Borrower shall deliver to the Administrative Agent prior to the consummation of the proposed transaction pursuant to the foregoing paragraphs (a) and (b) an officers' certificate to the foregoing effect signed by a Responsible Officer and an opinion of counsel satisfactory to the Administrative Agent stating that the proposed transaction complies with this Agreement. The Administrative Agent and the Banks shall be entitled to conclusively rely upon such officer's certificate and opinion of counsel.

(d) Upon any consolidation or merger, or any sale, assignment, transfer, lease, conveyance or other disposition of all or substantially all of the assets of the Borrower in accordance with this Section 8.03, the successor Person formed by such consolidation or into or with which the Borrower is merged or to which such sale, assignment, transfer, lease, conveyance or other disposition is made shall succeed to, and be substituted for (so that from and after the date of such consolidation, merger, sale, lease, conveyance or other disposition, the provisions of this Agreement referring to the "Borrower" shall refer to or include instead the successor Person and not the Borrower), and may

exercise every right and power of the Borrower under this Agreement with the same effect as if such successor Person had been named as the Borrower herein; provided, however, that the predecessor Borrower shall not be relieved from the obligation to pay the principal of, premium, if any, and interest on the Obligations except in the case of a sale of all of such Borrower's assets that meets the requirements of Section 8.03 hereof.

. Without limiting the generality of any other provision of this Agreement, neither the Borrower nor any Subsidiary shall consummate any Acquisition unless (i) the acquiree is primarily a retail propane distribution business; (ii) such Acquisition is undertaken in accordance with all applicable Requirements of Law; (iii) the prior, effective written consent or approval to such Acquisition of the board of directors or equivalent governing body of the acquiree is obtained; and (iv) immediately after giving effect thereto, no Default or Event of Default will occur or be continuing and each of the representations and warranties of the Borrower herein is true on and as of the date of such Acquisition, both before and after giving effect thereto. Nothing in Section 8.22 shall prohibit (x) the making by the Borrower of a Permitted Acquisition indirectly through the General Partner, the MLP or any of its or their Affiliates in a series of substantially contemporaneous transactions in which the Borrower shall ultimately own the assets that are the subject of such Permitted Acquisition or (y) the assumption of Acquired Debt in connection therewith to the extent such Acquired Debt is provided by a Bank and, upon such assumption, is (to the extent such Acquired Debt is not otherwise permitted to be incurred by the Borrower pursuant to this Agreement) immediately repaid (with the proceeds of Revolving Loans or otherwise).

. The Borrower shall not, and shall not permit any of its Subsidiaries to, directly or indirectly, create, incur, issue, assume, suffer to exist, guarantee or otherwise become directly or indirectly liable with respect to any Indebtedness (including Acquired Debt) or any Synthetic Leases and the Borrower shall not issue any Disqualified Interests and shall not permit any of its Subsidiaries to issue any shares of preferred stock; provided, however, that the Borrower and any Subsidiary of the Borrower may create, incur, issue, assume, suffer to exist, guarantee or otherwise become directly or indirectly liable with respect to any Indebtedness or any Synthetic Lease to the extent that the Leverage Ratio is maintained in accordance with Section 7.12(a), both before and after giving effect to the incurrence of such Indebtedness or such Synthetic Lease, as the case may be, and, provided, further, that (x) the aggregate principal amount of (1) all Capitalized Lease Obligations and all Synthetic Lease Obligations (other than Capitalized Lease Obligations and Synthetic Lease Obligations in respect of Growth-Related Capital Expenditures) of the Borrower and its Subsidiaries and (2) all Indebtedness for which the Borrower and any Subsidiary of the Borrower become liable in connection with Acquisitions of retail propane businesses in favor of the sellers of such businesses and secured by any Lien on any property of the Borrower or any of its Subsidiaries, shall not exceed $65,000,000 at any one time outstanding and (y) the principal amount of any Indebtedness for which the Borrower or any Subsidiary of the Borrower becomes liable in connection with Acquisitions of retail propane businesses in favor of the sellers of such businesses shall not exceed the fair market value of the assets so acquired.

. The Borrower shall not, and shall not permit any of its Subsidiaries to, sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into any contract, agreement, understanding, loan, advance or guarantee with, or for the benefit of, any Affiliate, including any Non-Recourse Subsidiary (each of the foregoing, an "Affiliate Transaction"), unless (a) such Affiliate Transaction is on terms that are no less favorable to the Borrower or the relevant Subsidiary than those that would have been obtained in a comparable transaction by the Borrower or such Subsidiary with an unrelated Person and (b) with respect to (i) any Affiliate Transaction with an aggregate value in excess of $500,000, a majority of the directors of the General Partner having no direct or indirect economic interest in such Affiliate Transaction determines by resolution that such Affiliate Transaction complies with clause (a) above and approves such Affiliate Transaction and (ii) any Affiliate Transaction involving the purchase or other acquisition or sale, lease, transfer or other disposition of properties or assets other than in the ordinary course of business, in each case, having a fair market value or for net proceeds in excess of $15,000,000, the Borrower delivers to the Administrative Agent an opinion as to the fairness to the Borrower or such Subsidiary from a financial point of view issued by an investment banking firm of national standing; provided, however, that (i) any employment agreement or stock option agreement entered into by the Borrower or any of its Subsidiaries in the ordinary course of business and consistent with the past practice of the Borrower (or the General Partner) or such Subsidiary, Restricted Payments permitted by the provisions of Section 8.12, and transactions entered into by the Borrower in the ordinary course of business in connection with reinsuring the self-insurance programs or other similar forms of retained insurable risks of the retail propane businesses operated by the Borrower, its Subsidiaries and its Affiliates, in each case, shall not be deemed Affiliate Transactions, and (ii) nothing herein shall authorize the payments by the Borrower to the General Partner or any other Affiliate of the Borrower for administrative expenses incurred by such Person other than such out-of-pocket administrative expenses as such Person shall incur and the Borrower shall pay in the ordinary course of business.

. The Borrower shall not, and shall not suffer or permit any Subsidiary to, use any portion of the Loan proceeds or any Letter of Credit, directly or indirectly, (i) to purchase or carry Margin Stock, (ii) to repay or otherwise refinance indebtedness of the Borrower or others incurred to purchase or carry Margin Stock, (iii) to extend credit for the purpose of purchasing or carrying any Margin Stock, or (iv) to acquire any security in any transaction that is subject to Section 13 or 14 of the Exchange Act.

. The Borrower shall not, directly or indirectly, use any portion of the Loan proceeds or any Letter of Credit (i) knowingly to purchase Ineligible Securities from the Arranger or the Documentation Agent during any period in which the Arranger or the Documentation Agent makes a market in such Ineligible

Securities, (ii) knowingly to purchase during the underwriting or placement period Ineligible Securities being underwritten or privately placed by the Arranger or the Documentation Agent, or (iii) to make payments of principal or interest on Ineligible Securities underwritten or privately placed by the Arranger or the Documentation Agent and issued by or for the benefit of the Borrower or any Affiliate of the Borrower.

. The Borrower shall not, and shall not suffer or permit any Subsidiary to, create, incur, assume or suffer to exist any Contingent Obligations except:

(a) endorsements for collection or deposit in the ordinary course of business;

(b) subject to compliance with the trading policies in effect from time to time as submitted to the Administrative Agent, Hedging Obligations entered into in the ordinary course of business as bona fide hedging transactions;

(c) the Guaranties hereunder; and

(d) Guaranty Obligations to the extent not prohibited by Section 8.05.

. The Borrower shall not, and shall not suffer or permit any Subsidiary to enter into any Joint Venture.

. The aggregate obligations of the Borrower and its Subsidiaries for the payment of rent for any property under lease or agreement to lease (excluding obligations of the Borrower and its Subsidiaries under or with respect to Synthetic Leases) for any fiscal year shall not exceed the greater of (a) $25,000,000 or (b) 20% of (i) Consolidated Cash Flow of the Borrower for the most recently ended eight consecutive fiscal quarters divided by (ii) two; provided, however, that any payment of rent for any property under lease or agreement to lease for a term of less than one year (after giving effect to all automatic renewals) shall not be subject to this Section 8.11. For purposes of this Section 8.11, the calculation of Consolidated Cash Flow shall give pro forma effect to Acquisitions (including all mergers and consolidations), Asset Sales and other dispositions and discontinuances of businesses or assets that have been made by the Borrower or any of its Subsidiaries during the reference period or subsequent to such reference period and on or prior to the date of calculation of Consolidated Cash Flow assuming that all such Acquisitions, Asset Sales and other dispositions and discontinuances of businesses or assets had occurred on the first day of the reference period.

. The Borrower shall not and shall not permit any of its Subsidiaries to, directly or indirectly (i) declare or pay any dividend or make any distribution on account of the Borrower's or any Subsidiary's Equity Interests (other than (x) dividends or distributions payable in Equity Interests (other than Disqualified Interests) of the Borrower, (y) dividends or distributions payable to the Borrower or a Wholly-Owned Subsidiary of the Borrower that is a Guarantor or (z) distributions or dividends payable pro rata to all holders of Capital Interests of any such Subsidiary); (ii) purchase, redeem, call or otherwise acquire or retire for value any Equity Interests of the Borrower or any Subsidiary or other Affiliate of the Borrower (other than, subject to compliance with Section 8.21, any such Equity Interests owned by a Wholly-Owned Subsidiary of the Borrower that is a Guarantor); (iii) make any Investment other than a Permitted Investment; or (iv) prepay, purchase, redeem, retire, defease or refinance the 1998 Fixed Rate Senior Notes (all payments and other actions set forth in clauses (i) through (iv) above being collectively referred to as "Restricted Payments"), except to the extent that, at the time of such Restricted Payment:

(a) no Default or Event of Default shall have occurred and be continuing or would occur as a consequence thereof and each of the representations and warranties of the Borrower set forth herein is true on and as of the date of such Restricted Payment both before and after giving effect thereto; and

(b) the Fixed Charge Coverage Ratio of the Borrower for the Borrower's most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such Restricted Payment is made, calculated on a pro forma basis as if such Restricted Payment had been made at the beginning of such four-quarter period, would have been more than 2.25 to 1; and

(c) such Restricted Payment (the amount of any such payment, if other than cash, to be determined by the Board of Directors, whose determination shall be conclusive and evidenced by a resolution in an officer's certificate signed by a Responsible Officer and delivered to the Administrative Agent), together with the aggregate of all other Restricted Payments (other than any Restricted Payments permitted by the provisions of clause (ii) of the penultimate paragraph of this Section 8.12) made by the Borrower and its Subsidiaries in the fiscal quarter during which such Restricted Payment is made shall not exceed an amount equal to (x) Available Cash of the Borrower for the immediately preceding fiscal quarter plus (y) the lesser of (i) the amount of any Available Cash of the Borrower during the first 45 days of such fiscal quarter and (ii) the excess of the aggregate amount of Loans that the Borrower could have borrowed over the actual amount of Loans outstanding, in each case as of the last day of the immediately preceding fiscal quarter; and

(d) such Restricted Payment (other than any Restricted Payments described in clauses (iii) or (iv) of the first paragraph of this Section 8.12) the amount of which, if made other than with cash, to be determined in accordance with clause (c) of this Section 8.12, shall not exceed an amount equal to (1) Consolidated Cash Flow of the Borrower and its Subsidiaries for the period from and after October 31, 1996 through and including the last day of the fiscal quarter ending immediately preceding the date of the proposed Restricted Payment (the "Determination Period"), minus (2)

the sum of Consolidated Interest Expense of the Borrower and its Subsidiaries for the Determination Period plus all capital expenditures (other than Growth-Related Capital Expenditures and net of capital asset sales in the ordinary course of business) made by the Borrower and its Subsidiaries during the Determination Period plus the aggregate of all other Restricted Payments (other than any Restricted Payments described in clauses (iii) or (iv) of the first paragraph of this Section 8.12) made by the Borrower and its Subsidiaries during the period from and after October 31, 1996 through and including the date of the proposed Restricted Payment, plus (3) $30,000,000, plus (4) the excess, if any, of consolidated working capital of the Borrower and its Subsidiaries at July 31, 1996 over consolidated working capital of the Borrower and its Subsidiaries at the end of the fiscal year immediately preceding the date of the proposed Restricted Payment, minus (5) the excess, if any, of consolidated working capital of the Borrower and its Subsidiaries at the end of the fiscal year immediately preceding the date of the proposed Restricted Payment over consolidated working capital of the Borrower and its Subsidiaries at July 31, 1996. For purposes of this subsection 8.12(d), the calculation of Consolidated Cash Flow shall give pro forma effect to Acquisitions (including all mergers and consolidations), Asset Sales and other dispositions and discontinuances of businesses or assets that have been made by such Person or any of its Subsidiaries during the reference period or subsequent to such reference period and on or prior to the date of calculation of Consolidated Cash Flow assuming that all such Acquisitions, Asset Sales and other dispositions and discontinuances of businesses or assets had occurred on the first day of the reference period.

The foregoing provisions will not prohibit (i) the payment of any distribution within 60 days after the date on which the Borrower becomes committed to make such distribution, if at said date of commitment such payment would have complied with the provisions of this Agreement; and (ii) the redemption, repurchase, retirement or other acquisition of any Equity Interests of the Borrower in exchange for, or out of the proceeds of, the substantially concurrent sale (other than to a Subsidiary of the Borrower) of other Equity Interests of the Borrower (other than any Disqualified Interests).

Not later than the date of making any Restricted Payment, the General Partner shall deliver to the Administrative Agent an officer's certificate signed by a Responsible Officer stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required by this Section 8.12 were computed, which calculations may be based upon the Borrower's latest available financial statements.

. The Borrower shall not, and shall not permit any of its Subsidiaries to, (a) purchase, redeem, retire or otherwise acquire for value, or set apart any money for a sinking, defeasance or other analogous fund for, the purchase, redemption, retirement or other acquisition of, or make any payment or prepayment of the principal of or interest on, or any other amount owing in respect of, any Indebtedness that is subordinated to the Obligations, except for regularly scheduled payments of interest in respect of such Indebtedness required pursuant to the instruments evidencing such Indebtedness that are not made in contravention of the terms and conditions of subordination set forth on part II of Schedule 8.05 or (b) directly or indirectly, make any payment in respect of, or set apart any money for a sinking, defeasance or other analogous fund on account of, Guaranty Obligations subordinated to the Obligations. The foregoing provisions will not prohibit the defeasance, redemption or repurchase of subordinated Indebtedness with the proceeds of Permitted Refinancing Indebtedness.

. The Borrower shall not, and shall not permit any of its Subsidiaries to, directly or indirectly, create or otherwise cause or suffer to exist or become effective any encumbrance or restriction on the ability of any Subsidiary to (a) pay dividends or make any other distributions to the Borrower or any of its Subsidiaries (1) on its Capital Interests or (2) with respect to any other interest or participation in, or interest measured by, its profits, (b) pay any indebtedness owed to the Borrower or any of its Subsidiaries, (c) make loans or advances to the Borrower or any of its Subsidiaries or (d) transfer any of its properties or assets to the Borrower or any of its Subsidiaries, except for such encumbrances or restrictions existing under or by reason of (i) Existing Indebtedness, (ii) this Agreement, the 1998 Note Purchase Agreement and the 1998 Fixed Rate Senior Notes, (iii) applicable law, (iv) any instrument governing Indebtedness or Capital Interests of a Person acquired by the Borrower or any of its Subsidiaries as in effect at the time of such Acquisition (except to the extent such Indebtedness was incurred in connection with or in contemplation of such Acquisition), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired, provided that the Consolidated Cash Flow of such Person to the extent that dividends, distributions, loans, advances or transfers thereof is limited by such encumbrance or restriction on the date of acquisition is not taken into account in determining whether such acquisition was permitted by the terms of this Agreement, (v) customary non-assignment provisions in leases entered into in the ordinary course of business and consistent with past practices, (vi) purchase money obligations for property acquired in the ordinary course of business that impose restrictions of the nature described in clause (d) above on the property so acquired, (vii) Permitted Refinancing Indebtedness of any Existing Indebtedness, provided that the restrictions contained in the agreements governing such Permitted Refinancing Indebtedness are no more restrictive than those contained in the agreements governing the Indebtedness being refinanced or (viii) other Indebtedness permitted to be incurred subsequent to the Restatement Effective Date pursuant to the provisions of Section 8.05 hereof, provided that such restrictions are no more restrictive than those contained in this Agreement.

. The Borrower shall not, and shall not suffer or permit any Subsidiary to, engage in any material line of business substantially different from those lines of business carried on by the Borrower and its Subsidiaries on the date hereof.

. The Borrower shall not, and shall not suffer or permit any Subsidiary

to, make any significant change in accounting treatment or reporting practices, except as required by GAAP, or change the fiscal year of the Borrower or of any Subsidiary except as required by the Code.

. The Borrower will not, and will not permit any of its Subsidiaries to, enter into any arrangement with any Person providing for the leasing by the Borrower or such Subsidiary of any property that has been or is to be sold or transferred by the Borrower or such Subsidiary to such Person in contemplation of such leasing; provided, however, that the Borrower or such Subsidiary may enter into such sale and leaseback transaction if (i) the Borrower could have (A) incurred Indebtedness in an amount equal to the Attributable Debt relating to such sale and leaseback transaction pursuant to the Leverage Ratio test set forth in Section 7.12(a) and (B) secured a Lien on such Indebtedness pursuant to Section 8.01 or (ii) the lease in such sale and leaseback transaction is for a term not in excess of the lesser of (A) three years and (B) 60% of the remaining useful life of such property.

8.18 [Intentionally Omitted]

. The Borrower shall not modify, amend, supplement or replace, nor permit any modification, amendment, supplement or replacement of the Organization Documents of the General Partner, the Borrower or any Subsidiary of the Borrower, the MLP Senior Notes, the 1996 Indenture, the 1998 Fixed Rate Senior Notes or the 1998 Note Purchase Agreement or any document executed and delivered in connection with any of the foregoing, in any respect that would adversely affect the Banks, the Borrower's ability to perform the Obligations, or the Guarantor's ability to perform its obligations under the Guaranty, in each such case without the prior written consent of the Administrative Agent and the Majority Banks. Furthermore, the Borrower shall not permit any modification, amendment, supplement or replacement of the Organization Documents of the MLP that would have a material effect on the Borrower without the prior written consent of the Administrative Agent and the Majority Banks.

. None of the Borrower and its Subsidiaries shall at any time be a party or subject to any contract for the supply of propane or other product except where (a) the purchase price is set with reference to a spot index or indices substantially contemporaneously with the delivery of such product or (b) delivery of such propane or other product is to be made no more than one year after the purchase price is agreed to.

. The Borrower shall not conduct any of its operations through Subsidiaries unless: (a) such Subsidiary executes a Guaranty substantially in the form of Exhibit G guaranteeing payment of the Obligations, accompanied by an opinion of counsel to the Subsidiary addressed to the Administrative Agent and the Banks as to the due authorization, execution, delivery and enforceability of the Guaranty; (b) such Subsidiary agrees not to incur any Indebtedness other than (i) trade debt and (ii) Acquired Debt permitted by Section 8.05; (c) the Consolidated Cash Flow of such Subsidiary, when added to Consolidated Cash Flow of all other Subsidiaries for any fiscal year, shall not exceed 10% of the Consolidated Cash Flow of the Borrower and its Subsidiaries for such fiscal year; and (d) the value of the assets of such Subsidiary, when added to the value of the assets of all other Subsidiaries for any fiscal year, shall not exceed 10% of the consolidated value of the assets of the Borrower and its Subsidiaries for such fiscal year, as determined in accordance with GAAP.

. Except in connection with an indirect Acquisition permitted by Section 8.04, the General Partner and the Borrower shall not permit the MLP or any of its Affiliates (including any Non-Recourse Subsidiary) to operate or conduct any business substantially similar to that conducted by the Borrower and its Subsidiaries within a 25 mile radius of any business conducted by the Borrower and its Subsidiaries. In order to comply with this Section 8.22, the Borrower may enter into one or more transactions by which its assets and properties are "swapped" or "exchanged" for assets and properties of another Person prior to or concurrently with another transaction which, but for such swap or exchange would violate this Section; provided, that (i) if the value of the MLP's assets or units to be so swapped or exchanged exceeds $15 million, as determined by the audit committee of the Board of Directors of the General Partner, the Borrower shall have first obtained at its expense an opinion from a nationally recognized investment banking firm, addressed to it, the Administrative Agent and the Banks and opining without material qualification and based on assumptions that are realistic at the time, that the exchange or swap transactions are fair to the Borrower and its Subsidiaries, and (ii) if the value of the MLP's assets or units to be so swapped or exchanged exceeds $50 million, as determined by the audit committee of the Board of Directors of the General Partner, at the option of the Majority Banks, the Administrative Agent shall have first retained, at the Borrower's expense, an investment banking firm on behalf of the Banks who shall also have rendered an opinion containing the statements and content referred to in clause (i).

ARTICLE IX

EVENTS OF DEFAULT

. Any of the following shall constitute an "Event of Default":

(a) Non-Payment. The Borrower or the General Partner fails to pay, (i) when and as required to be paid herein, any amount of principal of any Loan or of any L/C Obligation, or (ii) within 5 days after the same becomes due, any interest, fee or any other amount payable hereunder or under any other Loan Document; or

(b) Representation or Warranty. Any representation or warranty by the Borrower, the General Partner or any Subsidiary made or deemed made herein, in any other Loan Document, or which is contained in any certificate, document or financial or other statement by the Borrower, the General Partner, any Subsidiary, or any Responsible Officer, furnished at any time under this Agreement, or in or under any other Loan Document, is incorrect in any material respect on or as of the date made or deemed made; or

(c) Specific Defaults. The Borrower fails to perform or observe any term, covenant or agreement contained in any of Sections 2.01(a)(ii), 7.01, 7.02, 7.03, 7.04, 7.06, 7.09, 7.12, 7.13, 7.15, 7.16 or in any Section in Article VIII; or

(d) Other Defaults. The Borrower, the General Partner or any Subsidiary fails to perform or observe any other term or covenant contained in this Agreement or any other Loan Document, and such default shall continue unremedied for a period of 20 days after the earlier of (i) the date upon which a Responsible Officer knew or reasonably should have known of such failure or (ii) the date upon which written notice thereof is given to the Borrower by the Administrative Agent or any Bank; or

(e) Cross-Default. The Borrower, the General Partner or any Subsidiary (i) fails to make any payment in respect of any Indebtedness or Contingent Obligation having an aggregate principal amount (including undrawn committed or available amounts and including amounts owing to all creditors under any combined or syndicated credit arrangement) of more than $10,000,000 when due (whether by scheduled maturity, required prepayment, acceleration, demand, or otherwise) and such failure continues after the applicable grace or notice period, if any, specified in the relevant document on the date of such failure; or (ii) fails to perform or observe any other condition or covenant, or any other event shall occur or condition exist, under any agreement or instrument relating to any such Indebtedness or Contingent Obligation, and such failure continues after the applicable grace or notice period, if any, specified in the relevant document on the date of such failure if the effect of such failure, event or condition is to cause, or to permit the holder or holders of such Indebtedness or beneficiary or beneficiaries of such Indebtedness (or a trustee or agent on behalf of such holder or holders or beneficiary or beneficiaries) to cause such Indebtedness to be declared to be due and payable prior to its stated maturity or to cause such Indebtedness or Contingent Obligation to be prepaid, purchased or redeemed by the Borrower, the MLP, the General Partner or any Subsidiary, or such Contingent Obligation to become payable or cash collateral in respect thereof to be demanded; or

(f) Insolvency; Voluntary Proceedings. The General Partner, the MLP, the Borrower or any Subsidiary (i) ceases or fails to be solvent, or generally fails to pay, or admits in writing its inability to pay, its debts as they become due, subject to applicable grace periods, if any, whether at stated maturity or otherwise; (ii) voluntarily ceases to conduct its business in the ordinary course; (iii) commences any Insolvency Proceeding with respect to itself; or (iv) takes any action to effectuate or authorize any of the foregoing; or

(g) Involuntary Proceedings. (i) Any involuntary Insolvency Proceeding is commenced or filed against the General Partner, the MLP, the Borrower or any Subsidiary, or any writ, judgment, warrant of attachment, execution or similar process, is issued or levied against a substantial part of any such Person's properties, and any such proceeding or petition shall not be dismissed, or such writ, judgment, warrant of attachment, execution or similar process shall not be released, vacated or fully bonded within 60 days after commencement, filing or levy; (ii) the General Partner, the MLP, the Borrower or any Subsidiary admits the material allegations of a petition against it in any Insolvency Proceeding, or an order for relief (or similar order under non-U.S. law) is ordered in any Insolvency Proceeding; or (iii) the General Partner, the MLP, the Borrower or any Subsidiary acquiesces in the appointment of a receiver, trustee, custodian, conservator, liquidator, mortgagee in possession (or agent therefor), or other similar Person for itself or a substantial portion of its property or business; or

(h) ERISA. (i) An ERISA Event occurs with respect to a Pension Plan which has resulted or could reasonably be expected to result in liability of the Borrower or the General Partner under Title IV of ERISA to the Pension Plan or the PBGC in an aggregate amount in excess of $5 million; or (ii) the commencement or increase of contributions to, or the adoption of or the amendment of a Pension Plan by the Borrower, the General Partner or any of their Affiliates which has resulted or could reasonably be expected to result in an increase in Unfunded Pension Liability among all Pension Plans in an aggregate amount in excess of $5 million.

(i) Monetary Judgments. One or more judgments, orders, decrees or arbitration awards is entered against the Borrower, the General Partner or any Subsidiary involving in the aggregate a liability (to the extent not covered by independent third-party insurance as to which the insurer does not dispute coverage) as to any single or related series of transactions, incidents or conditions, of more than $40,000,000; or

(j) Non-Monetary Judgments. Any non-monetary judgment, order or decree is entered against the Borrower, the General Partner or any Subsidiary which does or would reasonably be expected to have a Material Adverse Effect, and there shall be any period of 60 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; or

(k) Loss of Licenses. Any Governmental Authority revokes or fails to renew any material license, permit or franchise of the Borrower or any Subsidiary, or the Borrower or any Subsidiary for any reason loses any material license, permit or franchise, or the Borrower or any Subsidiary suffers the imposition of any restraining order, escrow, suspension or impound of funds in connection with any proceeding (judicial or administrative) with respect to any material license, permit or franchise; or

(l) Adverse Change. There occurs a Material Adverse Effect; or

(m) Certain Indenture Defaults, Etc. (i) To the extent not

otherwise within the scope of subsection 9.01(e) above, any "Event of Default" shall occur and be continuing under and as defined in the 1998 Note Purchase Agreement or (ii) any of the following shall occur under or with respect to the 1996 Indenture or any other Indebtedness guaranteed by the Borrower or its Subsidiaries (collectively, the "Guaranteed Indebtedness"): (A) any demand for payment shall be made under any such Guaranty Obligation with respect to the Guaranteed Indebtedness or (B) so long as any such Guaranty Obligation shall be in effect (x) the Borrower or any such Subsidiary shall fail to pay principal of or premium, if any, or interest on such Guaranteed Indebtedness after the expiration of any applicable notice or cure periods or (y) any "Event of Default" (however defined) shall occur and be continuing under such Guaranteed Indebtedness which results in the acceleration of such Guaranteed Indebtedness; or

(n) Guarantor Defaults. Any Guarantor fails in any material respect to perform or observe any term, covenant or agreement in its Guaranty; or any Guaranty is for any reason partially (including with respect to future advances) or wholly revoked or invalidated, or otherwise ceases to be in full force and effect, or any Guarantor or any other Person contests in any manner the validity or enforceability thereof or denies that it has any further liability or obligation thereunder; or any event described at subsections (f) or (g) of this Section occurs with respect to the Guarantor.

. If any Event of Default occurs, the Administrative Agent shall, at the request of, or may, with the consent of, the Majority Banks,

(a) declare the commitment of each Bank to make Loans and any obligation of an Issuing Bank to Issue Letters of Credit to be terminated, whereupon such commitments and obligation shall be terminated;

(b) declare an amount equal to the maximum aggregate amount that is or at any time thereafter may become available for drawing under any outstanding Letters of Credit (whether or not any beneficiary shall have presented, or shall be entitled at such time to present, the drafts or other documents required to draw under such Letters of Credit) to be immediately due and payable;

(c) declare the unpaid principal amount of all outstanding Loans, all interest accrued and unpaid thereon, and all other amounts owing or payable hereunder or under any other Loan Document to be immediately due and payable (including, without limitation, amounts due under Section 4.04), without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by the Borrower; and

(d) exercise on behalf of itself and the Banks all rights and remedies available to it and the Banks under the Loan Documents or applicable law;

provided, however, that upon the occurrence of any event specified in subsection (f) or (g) of Section 9.01 (in the case of clause (i) of subsection (g) upon the expiration of the 60-day period mentioned therein), the obligation of each Bank to make Loans and any obligation of the Issuing Banks to Issue Letters of Credit shall automatically terminate and the unpaid principal amount of all outstanding Loans and all interest and other amounts as aforesaid shall automatically become due and payable without further act of the Administrative Agent, any Issuing Bank or any Bank.

. The rights provided for in this Agreement and the other Loan Documents are cumulative and are not exclusive of any other rights, powers, privileges or remedies provided by law or in equity, or under any other instrument, document or agreement now existing or hereafter arising.

. In the event that, after taking into account any extraordinary charge to earnings taken or to be taken as of the end of any fiscal period of the Borrower (a "Charge"), and if solely by virtue of such Charge, there would exist an Event of Default due to the breach of any of subsections 7.12(a) or 7.12(b) as of such fiscal period end date, such Event of Default shall be deemed to arise upon the earlier of (a) the date after such fiscal period end date on which the Borrower announces publicly it will take, is taking or has taken such Charge (including an announcement in the form of a statement in a report filed with the SEC) or, if such announcement is made prior to such fiscal period end date, the date that is such fiscal period end date, and (b) the date the Borrower delivers to the Administrative Agent its audited annual or unaudited quarterly financial statements in respect of such fiscal period reflecting such Charge as taken.

ARTICLE X

THE ADMINISTRATIVE AGENT

. (a) Each of the Banks and each Issuing Bank hereby irrevocably appoints, designates and authorizes the Administrative Agent to take such action on its behalf under the provisions of this Agreement and each other Loan Document and to exercise such powers and perform such duties as are expressly delegated to it by the terms of this Agreement or any other Loan Document, together with such powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary contained elsewhere in this Agreement or in any other Loan Document, the Administrative Agent shall not have any duties or responsibilities, except those expressly set forth herein, nor shall the Administrative Agent have or be deemed to have any fiduciary relationship with any Bank or any Issuing Bank, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Loan Document or otherwise exist against the Administrative Agent. The Documentation Agent shall have no duties or responsibilities in such capacity under this Agreement.

(b) Each Issuing Bank shall act on behalf of the Banks with

respect to any Letters of Credit Issued by it and the documents associated therewith until such time and except for so long as the Administrative Agent may agree at the request of the Majority Lenders to act for such Issuing Bank with respect thereto; provided, however, that such Issuing Bank shall have all of the benefits and immunities (i) provided to the Administrative Agent in this Article X with respect to any acts taken or omissions suffered by such Issuing Bank in connection with Letters of Credit Issued by it or proposed to be Issued by it and the application and agreements for letters of credit pertaining to the Letters of Credit as fully as if the term "Administrative Agent", as used in this Article X, included such Issuing Bank with respect to such acts or omissions, and (ii) as additionally provided in this Agreement with respect to such Issuing Bank.

. The Administrative Agent may execute any of its duties under this Agreement or any other Loan Document by or through agents, employees or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. The Administrative Agent shall not be responsible for the negligence or misconduct of any agent or attorney-in-fact that it selects with reasonable care.

. None of the Agent-Related Persons and Issuing Banks shall (i) be liable for any action taken or omitted to be taken by any of them under or in connection with this Agreement or any other Loan Document or the transactions contemplated hereby (except for its own gross negligence or willful misconduct), or (ii) be responsible in any manner to any of the Banks for any recital, statement, representation or warranty made by the Borrower or any Subsidiary or Affiliate of the Borrower, or any officer thereof, contained in this Agreement or in any other Loan Document, or in any certificate, report, statement or other document referred to or provided for in, or received by the Administrative Agent under or in connection with, this Agreement or any other Loan Document, or the validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Loan Document, or for any failure of the Borrower or any other party to any Loan Document to perform its obligations hereunder or thereunder. No Agent-Related Person shall be under any obligation to any Bank to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Loan Document, or to inspect the properties, books or records of the Borrower or any of the Borrower's Subsidiaries or Affiliates.

. (a) The Administrative Agent and each Issuing Bank shall be entitled to rely, and shall be fully protected in relying, upon any writing, resolution, notice, consent, certificate, affidavit, letter, telegram, facsimile, telex or telephone message, statement or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons, and upon advice and statements of legal counsel (including counsel to the Borrower), independent accountants and other experts selected by the Administrative Agent or applicable Issuing Bank. The Administrative Agent and each Issuing Bank shall be fully justified in failing or refusing to take any action under this Agreement or any other Loan Document unless it shall first receive such advice or concurrence of the Majority Banks as it deems appropriate and, if it so requests, it shall first be indemnified to its satisfaction by the Banks against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. The Administrative Agent and each Issuing Bank shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement or any other Loan Document in accordance with a request or consent of the Majority Banks and such request and any action taken or failure to act pursuant thereto shall be binding upon all of the Banks.

(b) For purposes of determining compliance with the conditions specified in Section 5.01, each Bank that has executed this Agreement shall be deemed to have consented to, approved or accepted or to be satisfied with, each document or other matter either sent by the Administrative Agent or an Issuing Bank to such Bank for consent, approval, acceptance or satisfaction, or required thereunder to be consented to or approved by or acceptable or satisfactory to the Bank.

. The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default, except with respect to defaults in the payment of principal, interest and fees required to be paid to the Administrative Agent for the account of the Banks, unless the Administrative Agent shall have received written notice from a Bank or the Borrower referring to this Agreement, describing such Default or Event of Default and stating that such notice is a "notice of default". The Administrative Agent will notify the Banks of its receipt of any such notice. The Administrative Agent shall take such action with respect to such Default or Event of Default as may be requested by the Majority Banks in accordance with Article IX; provided, however, that unless and until the Administrative Agent has received any such request, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable or in the best interest of the Banks.

. Each Bank acknowledges that none of the Agent-Related Persons or any Issuing Bank has made any representation or warranty to it, and that no act by the Administrative Agent or any Issuing Bank hereinafter taken, including any review of the affairs of the Borrower and its Subsidiaries, shall be deemed to constitute any representation or warranty by any Agent-Related Person or any Issuing Bank to any Bank. Each Bank represents to the Administrative Agent and the Issuing Banks that it has, independently and without reliance upon any Agent-Related Person or any Issuing Bank and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, prospects, operations, property, financial and other condition and creditworthiness of the Borrower and its Subsidiaries, and all applicable bank regulatory laws relating to the transactions contemplated hereby, and made its own decision to enter into this Agreement and to extend credit to the Borrower hereunder. Each Bank also represents that it will, independently and without reliance upon any Agent-Related Person or any Issuing

Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Loan Documents, and to make such investigations as it deems necessary to inform itself as to the business, prospects, operations, property, financial and other condition and creditworthiness of the Borrower. Except for notices, reports and other documents to be furnished to the Banks by the Administrative Agent or any Issuing Bank as specified on Schedule 10.06, neither the Administrative Agent nor any Issuing Bank shall have any duty or responsibility to provide any Bank with any credit or other information concerning the business, prospects, operations, property, financial and other condition or creditworthiness of the Borrower which may come into the possession of any of the Agent-Related Persons or any Issuing Bank. The Administrative Agent shall promptly deliver to the Banks the items specified on Schedule 10.06 that are required to be provided by the Borrower only to the extent such items are actually provided by the Borrower.

. Whether or not the transactions contemplated hereby are consummated, the Banks shall indemnify upon demand the Agent-Related Persons and the Issuing Banks (to the extent not reimbursed by or on behalf of the Borrower and without limiting the obligation of the Borrower to do so), pro rata in accordance with its Pro Rata Share on the date the Borrower's reimbursement obligation arises, from and against any and all Indemnified Liabilities; provided, however, that no Bank shall be liable for the payment to the Agent-Related Persons or the Issuing Banks of any portion of such Indemnified Liabilities resulting solely from such Person's gross negligence or willful misconduct. Without limitation of the foregoing, each Bank shall reimburse the Administrative Agent and the Issuing Banks upon demand for their ratable share of any costs or out-of-pocket expenses (including Attorney Costs) incurred by them in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, any other Loan Document, or any document contemplated by or referred to herein, to the extent that the Administrative Agent or the applicable Issuing Bank is not reimbursed for such expenses by or on behalf of the Borrower. The undertaking in this Section shall survive the payment of all Obligations hereunder and the resignation or replacement of the Administrative Agent or any Issuing Bank.

. BofA and its Affiliates may make loans to, issue letters of credit for the account of, accept deposits from, acquire equity interests in and generally engage in any kind of banking, trust, financial advisory, underwriting or other business with the Borrower and its Subsidiaries and Affiliates as though BofA were not the Administrative Agent or an Issuing Bank hereunder and without notice to or consent of the Banks. The Banks acknowledge that, pursuant to such activities, BofA or its Affiliates may receive information regarding the Borrower or its Affiliates (including information that may be subject to confidentiality obligations in favor of the Borrower or such Subsidiary) and acknowledge that the Administrative Agent shall be under no obligation to provide such information to them. With respect to its Loans and participations in Letters of Credit, BofA shall have the same rights and powers under this Agreement as any other Bank and may exercise the same as though it were not the Administrative Agent or an Issuing Bank.

. The Administrative Agent may, and at the request of the Majority Banks shall, resign as Administrative Agent upon 30 days' notice to the Banks. If the Administrative Agent resigns under this Agreement, the Majority Banks shall appoint from among the Banks a successor agent for the Banks. If no successor agent is appointed prior to the effective date of the resignation of the Administrative Agent, the Administrative Agent may appoint, after consulting with the Banks and the Borrower, a successor agent from among the Banks. Upon the acceptance of its appointment as successor agent hereunder, such successor agent shall succeed to all the rights, powers and duties of the retiring Administrative Agent and the term "Administrative Agent" shall mean such successor agent and the retiring Administrative Agent's appointment, powers and duties as Administrative Agent shall be terminated. After any retiring Administrative Agent's resignation hereunder as Administrative Agent, the provisions of this Article X and Sections 11.04 and 11.05 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement. If no successor agent has accepted appointment as Administrative Agent by the date which is 30 days following a retiring Administrative Agent's notice of resignation, the retiring Administrative Agent's resignation shall nevertheless thereupon become effective and the Banks shall perform all of the duties of the Administrative Agent hereunder until such time, if any, as the Majority Banks appoint a successor agent as provided for above. Notwithstanding the foregoing, however, BofA may not be removed as the Administrative Agent at the request of the Majority Banks unless BofA shall also simultaneously be replaced as an "Issuing Bank" hereunder pursuant to documentation in form and substance reasonably satisfactory to BofA.

. (a) If any Bank is a "foreign corporation, partnership or trust" within the meaning of the Code and such Bank claims exemption from, or a reduction of, U.S. withholding tax under Sections 1441 or 1442 of the Code, such Bank agrees with and in favor of the Administrative Agent, to deliver to the Administrative Agent:

(i) if such Bank claims an exemption from, or a reduction of, withholding tax under a United States tax treaty, properly completed IRS Forms 1001 and W-8 (or any successor forms) before the payment of any interest in the first calendar year and before the payment of any interest in each third succeeding calendar year during which interest may be paid under this Agreement;

(ii) if such Bank claims that interest paid under this Agreement is exempt from United States withholding tax because it is effectively connected with a United States trade or business of such Bank, two properly completed and executed copies of IRS Form 4224 (or any successor form) before the payment of any interest is due in the first taxable year of such Bank and in each succeeding taxable year of

such Bank during which interest may be paid under this Agreement, and IRS Form W-9 (or any successor form); and

(iii) such other form or forms as may be required under the Code or other laws of the United States as a condition to exemption from, or reduction of, United States withholding tax.

Such Bank agrees to promptly notify the Administrative Agent of any change in circumstances which would modify or render invalid any claimed exemption or reduction.

(b) If any Bank claims exemption from, or reduction of, withholding tax under a United States tax treaty by providing IRS Form 1001 and such Bank sells, assigns, grants a participation in, or otherwise transfers all or part of the Obligations of the Borrower to such Bank, such Bank agrees to notify the Administrative Agent of the percentage amount in which it is no longer the beneficial owner of Obligations of the Borrower to such Bank. To the extent of such percentage amount, the Administrative Agent will treat such Bank's IRS Form 1001 as no longer valid.

(c) If any Bank claiming exemption from United States withholding tax by filing IRS Form 4224 with the Administrative Agent sells, assigns, grants a participation in, or otherwise transfers all or part of the Obligations of the Borrower to such Bank, such Bank agrees to undertake sole responsibility for complying with the withholding tax requirements imposed by Sections 1441 and 1442 of the Code.

(d) If any Bank is entitled to a reduction in the applicable withholding tax, the Administrative Agent may withhold from any interest payment to such Bank an amount equivalent to the applicable withholding tax after taking into account such reduction. If the forms or other documentation required by subsection (a) of this Section are not delivered to the Administrative Agent, then the Administrative Agent may withhold from any interest payment to such Bank not providing such forms or other documentation an amount equivalent to the applicable withholding tax.

(e) If the IRS or any other Governmental Authority of the United States or other jurisdiction asserts a claim that the Administrative Agent did not properly withhold tax from amounts paid to or for the account of any Bank (because the appropriate form was not delivered, was not properly executed, or because such Bank failed to notify the Administrative Agent of a change in circumstances which rendered the exemption from, or reduction of, withholding tax ineffective, or for any other reason) such Bank shall indemnify the Administrative Agent fully for all amounts paid, directly or indirectly, by the Administrative Agent as tax or otherwise, including penalties and interest, and including any taxes imposed by any jurisdiction on the amounts payable to the Administrative Agent under this Section, together with all costs and expenses (including Attorney Costs). The obligation of the Banks under this subsection shall survive the payment of all Obligations and the resignation or replacement of the Administrative Agent.

ARTICLE XI

MISCELLANEOUS

. No amendment or waiver of any provision of this Agreement or any other Loan Document, and no consent with respect to any departure by the Borrower or the General Partner therefrom, shall be effective unless the same shall be in writing and signed by the Majority Banks (or by the Administrative Agent at the written request of the Majority Banks) and the Borrower and acknowledged by the Administrative Agent, and then any such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no such waiver, amendment, or consent shall, unless in writing and signed by all the Banks, the Borrower and the General Partner and acknowledged by the Administrative Agent, do any of the following:

(a) increase or extend the Revolving Loan Commitment of any Bank (or reinstate any Revolving Loan Commitment terminated pursuant to Section 9.02);

(b) postpone or delay any date fixed by this Agreement or any other Loan Document for any payment of principal, interest, fees or other amounts due to the Banks (or any of them) hereunder or under any other Loan Document;

(c) reduce the principal of, or the rate of interest specified herein on any Loan, or (subject to clause (ii) below) any fees or other amounts payable hereunder or under any other Loan Document;

(d) change the percentage of the Revolving Loan Commitments or of the aggregate unpaid principal amount of the Loans which is required for the Banks or any of them to take any action hereunder;

(e) amend this Section, or Section 2.14, or any provision herein providing for consent or other action by all Banks; or

(f) release any of the Guaranties;

and, provided, further, that (i) no amendment, waiver or consent shall, unless in writing and signed by the Issuing Banks in addition to the Majority Banks or all the Banks, as the case may be, affect the rights or duties of the Issuing Banks under this Agreement or any L/C-Related Document relating to any Letter of Credit Issued or to be Issued by any such Issuing Bank, (ii) no amendment, waiver or consent shall, unless in writing and signed by the Administrative Agent in addition to the Majority Banks or all the Banks, as the case may be, affect the rights or duties of the Administrative Agent under this Agreement or

any other Loan Document, and (iii) the Fee Letter may be amended, or rights or privileges thereunder waived, in a writing executed solely by the parties thereto.

. (a) Except as otherwise specifically provided in Section 3.02, all notices, requests and other communications shall be in writing (including, unless the context expressly otherwise provides, by facsimile transmission; provided, that any matter transmitted by the Borrower by facsimile (i) shall be immediately confirmed by a telephone call to the recipient at the number specified on Schedule 11.02, and (ii) shall be followed promptly by delivery of a hard copy original thereof) and mailed, faxed or delivered, to the address or facsimile number specified for notices on Schedule 11.02; or, as directed to the Borrower or the Administrative Agent, to such other address as shall be designated by such party in a written notice to the other parties, and as directed to any other party, at such other address as shall be designated by such party in a written notice to the Borrower and the Administrative Agent.

(b) All such notices, requests and communications shall, when transmitted by overnight delivery, or faxed, be effective when delivered for overnight (next-day) delivery, or transmitted in legible form by facsimile machine, respectively, or if mailed, upon the third Business Day after the date deposited into the U.S. mail, or if delivered, upon delivery; except that notices pursuant to Article II, III or X shall not be effective until actually received by the Administrative Agent, and notices pursuant to Article III to any Issuing Bank shall not be effective until actually received by such Issuing Bank at the address specified for the "Issuing Banks" on the applicable signature page hereof.

(c) Any agreement of the Administrative Agent and the Banks herein to receive certain notices by telephone or facsimile is solely for the convenience and at the request of the Borrower. The Administrative Agent and the Banks shall be entitled to rely on the authority of any Person purporting to be a Person authorized by the Borrower to give such notice and the Administrative Agent and the Banks shall not have any liability to the Borrower or other Person on account of any action taken or not taken by the Administrative Agent or the Banks in reliance upon such telephonic or facsimile notice. The obligation of the Borrower to repay the Loans and L/C Obligations shall not be affected in any way or to any extent by any failure by the Administrative Agent and the Banks to receive written confirmation of any telephonic or facsimile notice or the receipt by the Administrative Agent and the Banks of a confirmation which is at variance with the terms understood by the Administrative Agent and the Banks to be contained in the telephonic or facsimile notice.

. No failure to exercise and no delay in exercising, on the part of the Administrative Agent or any Bank, any right, remedy, power or privilege hereunder, shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.

. The Borrower shall:s and Expenses

(a) whether or not the transactions contemplated hereby are consummated, pay or reimburse BofA (including in its capacity as Administrative Agent and an Issuing Bank) and the Arranger within five Business Days after demand (subject to subsection 5.01(f)) for all costs and expenses incurred by BofA (including in its capacity as Administrative Agent and an Issuing Bank) and the Arranger in connection with the development, preparation, delivery, administration, syndication and execution of, and any amendment, supplement, waiver or modification to (in each case, whether or not consummated), this Agreement, any Loan Document, the Existing Credit Agreement and any other documents prepared in connection herewith or therewith, and the consummation of the transactions contemplated hereby and thereby, including reasonable (giving due regard to the prevailing circumstances) Attorney Costs incurred by BofA (including in its capacity as Administrative Agent and an Issuing Bank) and the Arranger with respect thereto; and

(b) pay or reimburse the Administrative Agent, the Arranger, each Issuing Bank and each Bank within five Business Days after demand for all costs and expenses (including Attorney Costs) incurred by them in connection with the enforcement, attempted enforcement, or preservation of any rights or remedies under this Agreement or any other Loan Document during the existence of an Event of Default or after acceleration of the Loans (including in connection with any "workout" or restructuring regarding the Loans, and including in any Insolvency Proceeding or appellate proceeding).

. Whether or not the transactions contemplated hereby are consummated, the Borrower shall indemnify and hold the Agent-Related Persons, the Issuing Banks, the Arranger and each Bank and each of their respective officers, directors, employees, counsel, agents and attorneys-in-fact (each, an "Indemnified Person") harmless from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits and reasonable (giving due regard to the prevailing circumstances) costs, charges, expenses and disbursements (including Attorney Costs) of any kind or nature whatsoever which may at any time (including at any time following repayment of the Loans, the termination of the Letters of Credit and the termination, resignation or replacement of the Administrative Agent or replacement of any Bank or Issuing Bank) be imposed on, incurred by or asserted against any such Person in any way relating to or arising out of this Agreement or any document contemplated by or referred to herein, or the transactions contemplated hereby, or any action taken or omitted by any such Person under or in connection with any of the foregoing, including with respect to any investigation, litigation or proceeding (including any Insolvency Proceeding or appellate proceeding) related to or arising out of this Agreement or the Loans or Letters of Credit or the actual or proposed use of the proceeds thereof, whether or not any Indemnified Person is a party thereto (all the foregoing, collectively, the "Indemnified Liabilities"); provided, that the Borrower shall have no obligation hereunder to any Indemnified Person with respect to Indemnified Liabilities resulting solely

from the gross negligence or willful misconduct of such Indemnified Person. The agreements in this Section shall survive payment of all other Obligations.

. To the extent that the Borrower makes a payment to the Administrative Agent or the Banks, or the Administrative Agent or the Banks exercise their right of set-off, and such payment or the proceeds of such set-off or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside or required (including pursuant to any settlement entered into by the Administrative Agent or such Bank in its discretion) to be repaid to a trustee, receiver or any other party, in connection with any Insolvency Proceeding or otherwise, then (a) to the extent of such recovery the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such set-off had not occurred, and (b) each Bank severally agrees to pay to the Administrative Agent upon demand its pro rata share of any amount so recovered from or repaid by the Administrative Agent.

. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that the Borrower may not assign or transfer any of its rights or obligations under this Agreement without the prior written consent of the Administrative Agent and each Bank. Any attempted or purported assignment in contravention of the preceding sentence shall be null and void.

(a) Any Bank may, with the written consent of the Borrower (at all times other than during the existence of an Event of Default), the Administrative Agent and the applicable Issuing Bank(s), which consents shall not be unreasonably withheld, at any time assign and delegate to one or more Eligible Assignees (provided that no written consent of the Borrower, the Administrative Agent or an Issuing Bank shall be required in connection with any assignment and delegation by a Bank to an Eligible Assignee that is an Affiliate of such Bank) (each an "Assignee") all, or any ratable part of all, of the Loans, the Revolving Loan Commitments, the L/C Obligations and the other rights and obligations of such Bank hereunder in an aggregate minimum amount of $10,000,000, pro-rated in accordance with the respective amounts of the Facility A Commitment, the Facility B Commitment and the Facility C Commitment of such Bank; provided that such Bank shall retain an aggregate amount of not less than $10,000,000 in respect thereof, unless such Bank assigns and delegates all of its rights and obligations hereunder to one or more Eligible Assignees on the time and subject to the conditions set forth herein; and provided, further, however, that the Borrower and the Administrative Agent may continue to deal solely and directly with such Bank in connection with the interest so assigned to an Assignee until (i) written notice of such assignment, together with payment instructions, addresses and related information with respect to the Assignee, shall have been given to the Borrower and the Administrative Agent by such Bank and the Assignee; (ii) such Bank and its Assignee shall have delivered to the Borrower and the Administrative Agent an Assignment and Acceptance in the form of Exhibit E ("Assignment and Acceptance"), together with any Note or Notes subject to such assignment; and (iii) the assignor Bank has paid to the Administrative Agent a processing fee in the amount of $3,500.

(b) From and after the date that the Administrative Agent notifies the assignor Bank that it has received (and provided its consent with respect to) an executed Assignment and Acceptance and payment of the above-referenced processing fee, (i) the Assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, shall have the rights and obligations of a Bank under the Loan Documents, and (ii) the assignor Bank shall, to the extent that rights and obligations hereunder and under the other Loan Documents have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights and be released from its obligations under the Loan Documents.

(c) Within five Business Days after its receipt of notice by the Administrative Agent that it has received an executed Assignment and Acceptance and payment of the processing fee (and provided that it consents to such assignment in accordance with subsection 11.08(a)), if the Assignee so requests, the Borrower shall execute and deliver to the Administrative Agent, new Notes evidencing such Assignee's assigned Loans and Revolving Loan Commitments and, if the assignor Bank has retained a portion of its Loans and its Revolving Loan Commitments and so requests, replacement Notes in the principal amount or amounts of the Loans retained by the assignor Bank (such Notes to be in exchange for, but not in payment of, the Notes held by such Bank). Immediately upon each Assignee's making its processing fee payment under the Assignment and Acceptance, this Agreement shall be deemed to be amended to the extent, but only to the extent, necessary to reflect the addition of the Assignee and the resulting adjustment of the Revolving Loan Commitments arising therefrom. The Revolving Loan Commitments allocated to each Assignee shall reduce such Revolving Loan Commitments of the assigning Bank pro tanto and the Administrative Agent shall promptly prepare and distribute a new Schedule 2.01 reflecting the new commitments.

(d) Any Bank may at any time sell to one or more commercial banks or other Persons not Affiliates of the Borrower (a "Participant") participating interests in any Loans, the Revolving Loan Commitments of that Bank and the other interests of that Bank (the "originating Bank") hereunder and under the other Loan Documents; provided, however, that (i) the originating Bank's obligations under this Agreement shall remain unchanged, (ii) the originating Bank shall remain solely responsible for the performance of such obligations, (iii) the Borrower, the Issuing Banks and the Administrative Agent shall continue to deal solely and directly with the originating Bank in connection with the originating Bank's rights and obligations under this Agreement and the other Loan Documents, and (iv) no Bank shall transfer or grant any participating interest under which the Participant has rights to approve any amendment to, or any consent or waiver with respect to, this Agreement or any other Loan Document, except to the extent such amendment, consent or waiver would require unanimous consent of the Banks as described in the first proviso to Section 11.01. In the case of any such participation, the Participant shall

be entitled to the benefit of Sections 4.01, 4.03 and 11.05 as though it were also a Bank hereunder, and if amounts outstanding under this Agreement are due and unpaid, or shall have been declared or shall have become due and payable upon the occurrence of an Event of Default, each Participant shall be deemed to have the right of set-off in respect of its participating interest in amounts owing under this Agreement to the same extent as if the amount of its participating interest were owing directly to it as a Bank under this Agreement.

(e) Each Bank agrees to take normal and reasonable precautions and exercise due care to maintain the confidentiality of all information identified as "confidential" or "secret" by the Borrower and provided to it by the Borrower or any Subsidiary, or by the Administrative Agent on such Borrower's or Subsidiary's behalf, under this Agreement or any other Loan Document, and neither it nor any of its Affiliates shall use any such information other than in connection with or in enforcement of this Agreement and the other Loan Documents; except to the extent such information (i) was or becomes generally available to the public other than as a result of disclosure by the Bank, or (ii) was or becomes available on a non-confidential basis from a source other than the Borrower, provided that such source is not bound by a confidentiality agreement with the Borrower known to the Bank; provided, however, that any Bank may disclose such information (A) at the request or pursuant to any requirement of any Governmental Authority to which the Bank is subject or in connection with an examination of such Bank by any such authority; (B) pursuant to subpoena or other court process; (C) when required to do so in accordance with the provisions of any applicable Requirement of Law; (D) to the extent reasonably required in connection with any litigation or proceeding to which the Administrative Agent, any Bank or their respective Affiliates may be party; (E) to the extent reasonably required in connection with the exercise of any remedy hereunder or under any other Loan Document; (F) to such Bank's independent auditors and other professional advisors; (G) to any Affiliate of such Bank, or to any Participant or Assignee, actual or potential, provided that such Affiliate, Participant or Assignee agrees to keep such information confidential to the same extent required of the Banks hereunder, and (H) as to any Bank, as expressly permitted under the terms of any other document or agreement regarding confidentiality to which the Borrower is party or is deemed party with such Bank.

(f) Notwithstanding any other provision in this Agreement, any Bank may at any time create a security interest in, or pledge, all or any portion of its rights under and interest in this Agreement and any Note held by it in favor of any Federal Reserve Bank in accordance with Regulation A of the FRB or U.S. Treasury Regulation 31 CFR ss.203.14, and such Federal Reserve Bank may enforce such pledge or security interest in any manner permitted under applicable law.

. In addition to any rights and remedies of the Banks provided by law, if an Event of Default exists or the Loans have been accelerated, each Bank is authorized at any time and from time to time, without prior notice to the Borrower, any such notice being waived by the Borrower to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held by, and other indebtedness at any time owing by, such Bank to or for the credit or the account of the Borrower against any and all Obligations owing to such Bank, now or hereafter existing, irrespective of whether or not the Administrative Agent or such Bank shall have made demand under this Agreement or any Loan Document and although such Obligations may be contingent or unmatured. Each Bank agrees promptly to notify the Borrower and the Administrative Agent after any such set-off and application made by such Bank; provided, however, that the failure to give such notice shall not affect the validity of such set-off and application.

Each Bank shall notify the Administrative Agent in writing of any changes in the address to which notices to the Bank should be directed, of addresses of any Lending Office, of payment instructions in respect of all payments to be made to it hereunder and of such other administrative information as the Administrative Agent shall reasonably request.

. (a) On or prior to the Restatement Effective Date, the Administrative Agent shall notify each Bank of the amount required to be paid by or to such Bank so that the Facility C Revolving Loans held by the Banks on the Restatement Effective Date (before giving effect to any new Facility C Revolving Loans made on such date) shall be held by each Bank pro rata in accordance with the Facility C Commitments of the Banks set forth on Schedule 2.01. Each Bank which is required to reduce the amount of Facility C Revolving Loans held by it (each such Bank, a "Decreasing Bank") shall irrevocably assign, without recourse or warranty of any kind whatsoever (except that each Decreasing Bank warrants that it is the legal and beneficial owner of the Loans assigned by it under this Section 11.11 and that such Loans are held by such Decreasing Bank free and clear of adverse claims), to each Bank which is required to increase the amount of Facility C Loans held by it (each such Bank, an "Increasing Bank"), and each Increasing Bank shall irrevocably acquire from the Decreasing Banks, a portion of the principal amount of the Facility C Revolving Loans of each Decreasing Bank (collectively, the "Acquired Portion") outstanding on the Restatement Effective Date (before giving effect to any new Facility C Revolving Loans made on such date) in an amount such that the principal amount of the Facility C Revolving Loans held by each Increasing Bank and each Decreasing Bank as of the Restatement Effective Date shall be held in accordance with each such Bank's Facility C Commitment Percentage (if any) as of such date. Such assignment and acquisition shall be effective on the Restatement Effective Date automatically and without any action required on the part of any party other than the payment by the Increasing Banks to the Administrative Agent for the account of the Decreasing Banks of an aggregate amount equal to the Acquired Portion, which amount shall be allocated and paid by the Administrative Agent at or before 12:00 p.m. San Francisco time on the Restatement Effective Date to the Decreasing Banks pro rata based upon the respective reductions in the principal amount of the Facility C Revolving Loans held by such Banks on the Restatement Effective Date (before giving effect to any new Facility C Revolving Loans made on such date). Each of the Administrative Agent and the Banks shall adjust its

records accordingly to reflect the payment of the Acquired Portion. The payment to be made in respect of the Acquired Portion shall be made by the Increasing Banks to the Administrative Agent in Dollars in immediately available funds at or before 11:00 a.m. San Francisco time on the Restatement Effective Date, such payment to be made by the Increasing Banks pro rata based upon the respective increases in the principal amount of the Facility C Revolving Loans held by such Banks on the Restatement Effective Date (before giving effect to any new Facility C Revolving Loans made on such date). For purposes of this subsection 11.11(a), "Facility C Commitment Percentage" means, with respect to any Bank, the ratio of (i) the amount of the Facility C Commitment of such Bank to (ii) the aggregate amount of the Facility C Commitments of all of the Banks.

(b) To the extent any of the Facility C Revolving Loans acquired by the Increasing Banks from the Decreasing Banks pursuant to subsection 11(a) above are Eurodollar Rate Loans and the Restatement Effective Date is not the last day of an Interest Period for such Loans, the Decreasing Banks shall be entitled to compensation from the Borrower as provided in Section 4.04 of the Existing Credit Agreement (as if the Borrower had prepaid such Loans in an amount equal to the Acquired Portion on the Restatement Effective Date). The payment made by the Increasing Banks in respect of the Acquired Portion shall constitute a Loan made by the Increasing Banks on the Restatement Effective Date, and to the extent any Loan acquired by the Increasing Banks on the Restatement Effective Date is a Eurodollar Rate Loan and such date is not the last day of an Interest Period for such Loan, such Loan shall accrue interest at the rate then applicable to such Loan until such last day; provided however that the Borrower shall compensate the Increasing Banks for an amount equal to the amount, if any, by which the cost to the Increasing Banks of funding the amount of each such Loan in the respective market for the period from such date to the last day of the then Interest Period for such Loan exceeds such applicable rate.

. This Agreement may be executed in any number of separate counterparts, each of which, when so executed, shall be deemed an original, and all of said counterparts taken together shall be deemed to constitute but one and the same instrument. Transmission by telecopier of an executed counterpart of this Agreement shall be deemed to constitute due and sufficient delivery of such counterpart. The parties hereto shall deliver to each other an original counterpart of this Agreement promptly after the delivery by telecopier; provided, however, that the failure by any party to so deliver an original counterpart shall not affect the sufficiency of a telecopy of such counterpart (and the fact that such telecopy constitutes the due and sufficient delivery of such counterpart), as provided above.

. The illegality or unenforceability of any provision of this Agreement or any instrument or agreement required hereunder shall not in any way affect or impair the legality or enforceability of the remaining provisions of this Agreement or any instrument or agreement required hereunder.

. This Agreement is made and entered into for the sole protection and legal benefit of the Borrower, the Banks, the Administrative Agent and the Agent-Related Persons, the Arranger and their permitted successors and assigns, and no other Person shall be a direct or indirect legal beneficiary of, or have any direct or indirect cause of action or claim in connection with, this Agreement or any of the other Loan Documents.

. (a) THIS AGREEMENT AND ALL NOTES ISSUED HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK; PROVIDED THAT THE ADMINISTRATIVE AGENT AND THE BANKS SHALL RETAIN ALL RIGHTS ARISING UNDER FEDERAL LAW.

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

. THE BORROWER, THE GENERAL PARTNER, THE BANKS AND THE ADMINISTRATIVE AGENT EACH WAIVE THEIR RESPECTIVE RIGHTS TO A TRIAL BY JURY OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF OR RELATED TO THIS AGREEMENT, THE OTHER LOAN DOCUMENTS, OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY, IN ANY ACTION, PROCEEDING OR OTHER LITIGATION OF ANY TYPE BROUGHT BY ANY OF THE PARTIES AGAINST ANY OTHER PARTY OR ANY AGENT-RELATED PERSON, PARTICIPANT OR ASSIGNEE, WHETHER WITH RESPECT TO CONTRACT CLAIMS, TORT CLAIMS, OR OTHERWISE. THE BORROWER, THE GENERAL PARTNER, THE BANKS AND THE ADMINISTRATIVE AGENT EACH AGREE THAT ANY SUCH CLAIM OR CAUSE OF ACTION SHALL BE TRIED BY A COURT TRIAL WITHOUT A JURY. WITHOUT LIMITING THE FOREGOING, THE PARTIES FURTHER AGREE THAT THEIR RESPECTIVE RIGHT TO A TRIAL BY JURY IS WAIVED BY OPERATION OF THIS SECTION AS TO ANY ACTION, COUNTERCLAIM OR OTHER PROCEEDING WHICH SEEKS, IN WHOLE OR IN PART, TO CHALLENGE THE VALIDITY OR ENFORCEABILITY OF THIS AGREEMENT OR THE OTHER LOAN DOCUMENTS OR ANY PROVISION HEREOF OR THEREOF. THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS.

. From and after the Restatement Effective Date (if it shall occur), this Agreement, together with the other Loan Documents, embodies the entire agreement and understanding between and among the Borrower, the General Partner, the Banks and the Administrative Agent, and supersedes the Existing Credit Agreement and all other understandings of such Persons, verbal or written,

relating to the subject matter hereof and thereof.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their proper and duly authorized officers as of the day and year first above written.

FERRELLGAS, L.P.

By: Ferrellgas, Inc.
Its: General Partner

By: /s/ Danley K. Sheldon
Name: Danley K. Sheldon
Title: President

FERRELLGAS, INC.

By: /s/ Danley K. Sheldon
Name: Danley K. Sheldon
Title: President

Address for Notices for each of the Borrower and the General Partner:

One Liberty Plaza
Liberty, Missouri 64068
Attention: Danley K. Sheldon
Telephone: (816) 792-6828
Facsimile: (816) 792-6979

BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION, as Administrative Agent

By: /s/ Darryl G. Patterson
Name: Darryl G. Patterson
Title: Vice President

[SIGNATURES CONTINUED ON NEXT PAGE]

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION, as a Bank

By: /s/ Darryl G. Patterson
Name: Darryl G. Patterson
Title: Vice President

[SIGNATURES CONTINUED ON NEXT PAGE]

NATIONSBANK, N.A.,
as a Bank

By: /s/ Linda J. Laurence
Name: Linda J. Laurence
Title: Vice President

[SIGNATURES CONTINUED ON NEXT PAGE]

WELLS FARGO BANK, N.A.,
as a Bank

B: /s/ Charles D. Kirkham
Name: Charles D. Kirkham
Title: Vice President

[SIGNATURES CONTINUED ON NEXT PAGE]

THE BANK OF NOVA SCOTIA,
as a Bank

By: /s/ F. C. H. Ashby
Name: F. C. H. Ashby
Title: Senior Manager Loan Operations

[SIGNATURES CONTINUED ON NEXT PAGE]

PARIBAS, as a Bank

By: /s/ Timothy A. Donnon
Name: Timothy A. Donnon
Title: Managing Director

By: /s/ Rosine K. Matthews
Name: Rosine K. Matthews
Title: Vice President

[SIGNATURES CONTINUED ON NEXT PAGE]

UNION BANK OF CALIFORNIA, N.A.,
as a Bank

By:/s/ Randall Osterberg
Name: Randall Osterberg
Title: Vice President

[SIGNATURES CONTINUED ON NEXT PAGE]

THE BANK OF NEW YORK, as a Bank

By: /s/ William O'Daly
Name: William O'Daly
Title: Vice President

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FERRELL COMPANIES, INC.
1998 INCENTIVE COMPENSATION PLAN

1. PURPOSE. The purposes of the Ferrell Companies, Inc. 1998 Incentiv Compensation Plan (the "Plan") are as follows:

(a) to allow upper middle and senior level managers of Ferrellgas, Inc. ("FGI") to participate in the equity growth of Ferrell Companies, Inc. ("FCI") and, indirectly (through its "subsidiary" holding), in the equity growth of Ferrellgas Partners, L.P. (the "Partnership") and its subsidiaries (with FCI, FGI, the Partnership and its subsidiaries being collectively referred to herein as "Companies");

(b) to generate an increased incentive to contribute to the Partnership's future success and prosperity and to focus on the value growth of FCI; and

(c) to focus on profitable Partnership growth and acquisition activities that will enable subordinated Partnership units ("Subordinated Units") held by FCI to convert to common Partnership units ("Common Units"), to increase the value of all Partnership Units (including both Common and Subordinated Units) and to increase the equity value of FCI, through an increasing Partnership value, a maximization of Partnership distributions, a reduction of FCI debt, and an optimization of share value growth for the FCI shares held by FCI's employee stock ownership plan (its "ESOP").

Unless defined in the sentence or paragraph in which they are used, definitions used herein are set forth in Section 9.9 below.

2. ADMINISTRATION.

2.1 Administration by Committee. The Plan shall be administered by the FCI Options Committee (comprised of three members of the FCI's or FGI's Management Committee, and generally including the CEO and CFO of FGI, as well as the senior personnel manager of FGI) (the "Committee").

2.2 Authority. Subject to the provisions of the Plan, the Committee shall have the authority to (a) interpret the provisions of the Plan, and prescribe, amend, and rescind rules and procedures relating to the Plan, (b) grant incentives under the Plan, in such forms and amounts and subject to such terms and conditions as it deems appropriate, including, without limitation, incentives which are made in combination with or in tandem with other incentives (whether or not contemporaneously granted) or compensation or in lieu of current or deferred compensation, (c) modify the terms of, cancel and reissue, or repurchase outstanding incentives, subject to Section 9.7, (d) suspend the operation of the Plan (or any portion thereof) pursuant to the provisions of Section 9.8 hereinbelow and (e) make all other determinations and take all other actions as it deems necessary or desirable for the administration of the Plan. The determination of the Committee on matters within its authority shall be conclusive and binding on Companies and all other persons. The Committee shall comply with all applicable law in administering the Plan.

3. Participation. Subject to the terms and conditions of the Plan, the Committee shall designate from time to time employees of Companies (including, without limitation, employees who are officers and/or directors of any Companies entity) who shall receive incentives under the Plan ("Participants").

4. SHARES SUBJECT TO THE PLAN

4.1 Number of Shares Reserved. Subject to adjustment in accordance with Sections 4.2 and 4.3, the aggregate number of shares of FCI common stock ("Common Stock") available for incentives under the Plan shall be that number of shares of Common Stock equaling 20% of FCI's outstanding Common Stock shares, on a fully-diluted basis, immediately following the date on which the ESOP has acquired all of the outstanding Common Stock shares.

All shares of Common Stock issued under the Plan may be authorized and unissued shares or treasury shares. In addition, all of such shares may, but need not, be issued pursuant to the exercise of nonqualified stock options.

4.2 Reusage of Shares.

(a) In the event of the termination (by reason of forfeiture, expiration, cancellation, surrender, or otherwise) of any incentive under the Plan, that number of shares of Common Stock that was subject to the incentive but not delivered shall be available again for incentives under the Plan.

(b) In the event that shares of Common Stock are

delivered under the Plan and are thereafter forfeited or reacquired by FCI (whether or not pursuant to rights reserved upon the award thereof), such forfeited or reacquired shares shall be available again for incentives under the Plan.

4.3 Adjustments to Shares Reserved. In the event of any merger, consolidation, reorganization, recapitalization, spinoff, stock dividend, stock split, reverse stock split, exchange, or other distribution with respect to shares of Common Stock or other change in the corporate structure or capitalization affecting the Common Stock (each being an "Adjustment"), the type and number of shares of stock which are or may be subject to incentives under the Plan and the terms of any outstanding incentives (including the price at which shares of stock may be issued pursuant to an outstanding incentive) shall be equitably adjusted by the Committee, in its sole discretion, to preserve both the value of incentives awarded or to be awarded to Participants under the Plan and the percentage of outstanding Common Stock shares (on a fully-diluted basis) available for incentives under the Plan immediately prior to the date of the Adjustment (taking into account both incentives granted but not yet distributed from the Plan and incentives not yet granted under the Plan).

5. STOCK OPTIONS.

5.1 Awards. Subject to the terms and conditions of the Plan, the Committee shall designate the individuals to whom "nonqualified stock options" to purchase shares of Common Stock ("Stock Options") are to be awarded under the Plan and shall determine the number, and terms of the Stock Options to be awarded to each of them. Unless and until the Committee makes a decision to the contrary, the Participants to whom Stock Options are granted hereunder shall be designated from the following two employee groups:

(i) field employees who are at or above the "area manager" designation level; and

(ii) corporate (Liberty or Houston) employees who are deemed by the Committee to have a material positive impact on developing and implementing the strategies, systems or processes that support the operations of the Partnership and contribute to the achievement by the Partnership of its financial and operational goals and the maximization of the equity value of FCI.

Stock Options awarded under the Plan will, unless and until the Committee makes a decision to the contrary, be classified as either "Tranche A Options" or "Tranche B Options." Each Stock Option awarded under the Plan shall be a "nonqualified stock option" for tax purposes.

5.2 Adjustment of Awards. If a Participant experiences a material change in job status (or other similar compensation measurement as may, from time to time, be utilized by the Committee), the Committee may, in its sole discretion, determine whether any or all of the unvested portion of the Participant's Stock Option(s) shall be taken from the Participant and returned to FCI. In addition, in the event of a Change in Control, the Committee may, in its sole discretion, determine what adjustments, if any, should be made to (i) Stock Options awarded hereunder and/or (ii) the Plan.

5.3 Time For Exercise. Each Stock Option shall be exercisable only if it is vested (as described in Section 5.4 below) and, then, only to the extent, at the times and until the expiration date(s) described in the following table:

Exercise Event	Percentage of Vested Portion of Tranche A Options Which May be Exercised on Specified Exercise Dates	Percentage of Vested Portion of Tranche B Options Which May be Exercised on Specified Exercise Dates
Full repayment of the "FCI Senior Notes" (as defined in Section 9.9 below) ("Trigger 1")	Up to 25% of the vested portion of a Participant's Stock Option(s) may be exercised, upon (and only upon) the first odd-numbered year "Exercise Date" (as defined in Section 9.9 below) next following such repayment of the FCI Senior Notes.	Up to 25% of the vested portion of a Participant's Stock Option(s) may be exercised, upon (and only upon) the first even-numbered year "Exercise Date" next following such repayment of the FCI Senior Notes.
Full repayment of the "Subordinated Notes" (as defined in Section 9.9 below), and assuming Trigger 1 occurs ("Trigger 2")	An additional 25% of the vested portion of a Participant's Stock Option(s) may be exercised, upon (and only upon) the first odd-numbered year Exercise Date next following such repayment of the Subordinated Notes.	An additional 25% of the vested portion of a Participant's Stock Option(s) may be exercised, upon (and only upon) the first even-numbered year Exercise Date next following such repayment of the Subordinated Notes.
Assuming that both Trigger 1 and Trigger 2 have occurred:	The vested portion of a Participant's Stock Option(s) may be exercised up to the following percentages on the Exercise Date occurring in each of the following years: 2009 60% 2011 80% 2013 100% 2015 100% 2017 100%	The vested portion of a Participant's Stock Option(s) may be exercised up to the following percentages on the Exercise Date occurring in each of the following years: 2010 70% 2012 90% 2014 100% 2016 100% 2018 100%

In the event that either or both of Trigger 1 and Trigger 2 has (have) not occurred by 2013 (for Tranche A Options) or 2014 (for Tranche B Options), then (i) 100% of the vested portion of a Participant's Tranche A Option(s) may be exercised on the Exercise Date occurring in each of 2013, 2015 and 2017; and (ii) to up to 100% of the vested portion of a Participant's vested Tranche B Option(s) may be exercised on the Exercise Date occurring in each of 2014, 2016 and 2018.

5.4 Vesting. Subject to the next succeeding sentence, vesting of Tranche A Options and Tranche B Options shall occur as follows:

Anniversary of Stock Option Grant Date	Annual Vested Percentage	Cumulative Vested Percentage
1st	5%	5%
2nd	5%	10%
3rd	5%	15%
4th	5%	20%
5th	5%	25%
6th	10%	35%
7th	10%	45%
8th	10%	55%
9th	10%	65%
10th	10%	75%
11th	10%	85%
12th	15%	100%

Notwithstanding the immediately preceding vesting schedule, however, all Stock Options granted hereunder shall fully vest upon (a) a "Change in Control" of the Partnership or FCI, (b) the Participant's death, or "permanent disability" or (c) the Participant's retirement from FCI at or after attainment of age 65. A Stock Option, whether or not vested, will be forfeited, no longer exercisable and, if vested, divested and if (i) a Participant's employment with FGI is terminated for gross insubordination (as determined by FGI's Board of Directors) or (ii) the Participant enters a plea of "guilty" or "nolo contendre" to, or is convicted by a court of competent jurisdiction of, a felony.

5.5 Option Price. The option price per share ("Option Price") for any Stock Option awarded shall not be less than the "Fair Market Value" of a share of Common Stock on the date the Stock Option is granted. Recipients of Stock Options shall be timely notified no less frequently than twice annually of the Fair Market Value of a share of Common Stock.

5.6 Manner of Exercise. The vested portion of a Stock Option may be exercised, in whole or in part, once a year on the Exercise Date by notice to FCI specifying the number of whole (not fractional) shares of Common Stock to be purchased. Such notice shall be given at least thirty (30) days prior to the Exercise Date and it shall be accompanied by (or provision shall be made for) (i) payment of the Option Price by a certified or cashiers check or wire transfer payable to the order of the Company on or prior to the Exercise Date; (ii) an executed share transfer restriction agreement (the form of which shall either be attached to the agreement memorializing the Participant's Stock Option grant or be provided to the Participant prior to the first Exercise Date for the Stock Option); and (iii) such other documents or representations (including, without limitation, representations as to the intention of the Participant or his/her successor to acquire the shares for investment) as the Company may reasonably request in order to comply with securities, tax or other laws then applicable to the exercise of the Stock Option.

Unless the Committee sets a shorter exercise period in its grant of Stock Options hereunder, the vested portion of the Stock Option so granted may be exercised until (and must be exercised on or before) January 31, 2018. Subject to the next succeeding sentence, if the Participant becomes no longer employed by a Companies entity prior to the exercise of all of the vested portion of the Participant's Stock Option(s) (and the Participant is not immediately thereafter employed with another Companies entity), the nonvested portion of the Participant's Stock Option(s) shall expire, terminate and be forfeited, and the Participant will be permitted to exercise the vested portion of his/her Stock Option(s) during the times set for exercise as described in the table set forth in Section 5.3 above. In such case, the Committee may, in its sole discretion, give the terminated participant one opportunity to exercise all of the vested portion of his/her Stock Option(s) (with the opportunity specifying the early Exercise Date on which such vested portion must be exercised). If the Participant is given such an opportunity and chooses not to exercise all of the remaining vested portion of his/her remaining Stock Option(s) by the early Exercise Date, such vested portion of the Stock Option(s) will immediately expire, terminate and be forfeited as of such date.

5.7 ESOP Call. All shares acquired by a Participant pursuant to the exercise of a Stock Option shall be subject to a "call option" which shall be granted to and may be (a) exercised by the Ferrell Companies, Inc. Employee Stock Ownership Trust (the "Trust") and (b) assigned by the trustee of the Trust (the "Trustee") to FCI. Although the call option may generally be exercised by either (i) the Trust or (ii) by the Trust's assignee, if applicable, it may not be exercised during the first six months following the Exercise Date.

The shares acquired by a Participant pursuant to such exercise may be called by the Trust (or its assignee) at their Fair Market Value as of the date of the call (the "Call Date") by giving the Participant who acquired the shares notice of the Trust's (or its assignee's) intention to call the shares (a "call notice") at least ten (10) business days prior to the Call Date. As stated in Section 5.5 above, Participants receiving grants of Stock Options shall be notified every six (6) months of the Fair Market Value of a share of Common Stock.

A Participant receiving a call notice shall deliver to the Trustee (or the Trust's assignee, as applicable) stock certificate(s) for the called shares prior to the Call Date. The Participant's sale of the called shares shall be deemed to have occurred as of the Call Date, with the purchase price being payable in one lump sum by the Trust (or its assignee) within ninety (90) days of any Call Date not occurring on July 31st or January 31st and within ninety (90) days after the receipt of the ESOP financial advisor's determination of the Fair Market Value of the called shares as of any July 31st or January 31st Call Date. Notwithstanding the immediately preceding sentence, however, if a Participant's employment is terminated prior to the Participant's exercise of all of the vested portion of his/her Stock Option and the Committee gives the Participant one opportunity to exercise such vested portion as of an early Exercise Date, the purchase price to be paid by the Trust (or its assignee) for any early Exercise Date shares acquired pursuant to its call option will be payable in the form of a five-year promissory note given by the Trust (or its assignee) (with (i) interest payable at the lowest percentage of libor which equals or exceeds the "Applicable Federal Rate" and (ii) semi-annual equal payments of principal and interest being made during the five-year payment period).

5.8 Put Option. All shares acquired by a Participant pursuant to the exercise of a Stock Option shall be subject to a "put option" (the "Put Option") which shall be granted as of the acquisition date to and may be exercised by the Participant or other party receiving such shares (as provided hereunder, the "Other Party") if, at the time of their receipt, the shares are not readily tradable on an established market, as defined in Section 409(h) of the Internal Revenue Code of 1986, as amended (the "Code") and the Treasury regulations promulgated thereunder. The Put Option shall permit the

Participant or Other Party to sell some or all of the shares acquired at their Fair Market Value as of (and only as of) any July 31st or January 31st following the Exercise Date (each being a "Permissible Put Date"). The Put Option may not, however, be exercised during the first six months following the Exercise Date and it may no longer ever be exercised once a call notice (as described in Section 5.7 above) has been sent or delivered by the Company.

Shares acquired pursuant to the exercise of a Participant's Stock Option may be put by the Participant or Other Party at their Fair Market Value as of a Permissible Put Date by giving the Company notice of the Participant's (or Other Party's) intention to put the shares (a "put notice") at least ten (10) business days prior to the Permissible Put Date. As is stated in Section 5.5 above, Participants receiving grants of Stock Options shall be notified every six (6) months of the Fair Market Value of a share of a share of Common Stock.

In the event the Company receives a put notice, the sale pursuant to the put shall be deemed to have occurred as of the Permissible Put Date referenced in the Put Notice, with the purchase price being payable by the Company (or its assignee) in one lump sum within ninety (90) days after the receipt of the ESOP financial advisor's determination of the Fair Market Value of the put shares as of the specified Permissible Put Date. Notwithstanding the immediately preceding sentence, however, if a Participant's employment is terminated prior to the Participant's exercise of all of the vested portion of his/her Stock Option and the Committee gives the Participant one opportunity to exercise such vested portion as of an early Exercise Date, the purchase price to be paid by the Company (or its assignee) for any early Exercise Date shares acquired pursuant to the Put Option will be payable in the form of a five-year promissory note given by the Company (or its assignee) (with (i) interest payable at the lowest percentage of libor which equals or exceeds the "Applicable Federal Rate" and (ii) semi-annual equal payments of principal and interest being made during the five-year payment period).

5.9 Share Restrictions. The exercise of a Participant's Stock Option shall be conditioned upon the Participant's execution of a share transfer restriction agreement (which shall either be attached to the agreement memorializing the Participant's Stock Option grant or provided to the Participant prior to the first Exercise Date for the Stock Option so granted). Unless and until the Committee makes a decision to the contrary, all shares purchased pursuant to the exercise of Stock Options granted hereunder (i) must be held for at least, and shall be non-transferable during, the six-month period immediately following the Exercise Date; (ii) will be subject to the call option described in Section 5.7 above; and (iii) will be subject to the Put Option described in Section 5.8 above.

6. STOCK APPRECIATION RIGHTS.

6.1 Grant of SARs. Subject to the terms and conditions of the Plan, the Committee shall designate the employees to whom stock appreciation rights ("SARs") are to be awarded under the Plan and shall determine the number, type and terms of the SARs to be awarded to each of them. An SAR may be granted in tandem with a Stock Option granted under the Plan, or the SAR may be granted on a free-standing basis. Tandem SARs may be granted either at or after the time of grant of a Stock Option, provided that, in the case of an ISO a tandem SAR may be granted only at the time of the grant of such Stock Option. The grant price of a tandem SAR shall equal the option price of the related Stock Option and the grant price of a free-standing SAR shall be equal to the Fair Market Value of a share of Common Stock on the SAR's grant date.

6.2 Exercise of Tandem SARs. Tandem SARs may be exercised for all or part of the shares subject to the related option upon the surrender of the right to exercise the equivalent portion of the related Stock Option. A tandem SAR shall terminate and no longer be exercisable upon termination or exercise of the related Stock Option. A tandem SAR may be exercised only with respect to the shares for which its related option is then exercisable.

6.3 Exercise of Free-Standing SARs. Free-standing SARs may be exercised upon such terms and conditions as the Committee, in its sole discretion, determines.

6.4 Term of SARs. The term of an SAR granted under the Plan shall be determined by the Committee in its sole discretion; provided, however, that such term shall not exceed the option term in the case of a tandem SAR, or ten years in the case of a free-standing SAR.

6.5 Payment of SAR Amount. Upon exercise of an SAR, a Participant shall be entitled to receive payment from Companies in an amount determined by multiplying:

(a) The excess of the Fair Market Value of a share of Common Stock on the date of exercise over the "grant price" of the SAR; by

(b) The number of shares with respect to which the SAR is exercised.

At the discretion of the Committee, the payment to be made upon an SAR exercise may be in cash, in shares of Common Stock of equivalent value, or in some combination thereof.

7. PERFORMANCE SHARES.

7.1 Awards. Subject to the terms and conditions of the Plan, the Committee shall designate the employees to whom Performance Shares are to be awarded and determine the number of shares and the terms and conditions of each such award. Subject to the terms of Section 7.3 below and the immediately preceding sentence, each Performance Share shall entitle the Participant to a payment in the form of one share of Common Stock as soon as reasonably practicable following the date on which the specified performance goals and other terms and conditions specified by the Committee are attained (the "Attainment Date").

7.2 No Adjustments. Except as otherwise provided by the Committee or in section 4.3 hereof, no adjustment shall be made in Performance Shares awarded on account of cash dividends which may be paid or other rights which may be provided to the holders of Common Stock prior to the end of any performance period.

7.3 Substitution of Cash. The Committee may, in its sole discretion, substitute cash equal to the Fair Market Value of shares of Common Stock otherwise required to be issued to a Participant hereunder (with such Fair Market Value being the Fair Market Value most recently determined by the ESOP financial advisor immediately prior to the Attainment Date).

8. OTHER INCENTIVES. In addition to the incentives described in Sections 5 through 7 above and subject to the terms and conditions of the Plan, the Committee may grant other incentives ("Other Incentives"), payable in cash or in stock, under the Plan as it determines to be in the best interest of Companies.

9. GENERAL

9.1 Effective Date. The Plan was adopted by the Board of Directors effective as of July 17, 1998.

9.2 Duration. The Plan shall remain in effect until all incentives granted under the Plan have been satisfied by the issuance of shares of Common Stock, lapse of restrictions or the payment of cash, or have been terminated in accordance with the terms of the Plan or the incentive.

9.3 Non-transferability of Incentives. No incentive granted under the Plan may be transferred, pledged, or assigned by the employee except by will or the laws of descent and distribution in the event of death, and FCI shall not be required to recognize any attempted assignment of such rights by any Participant. During a Participant's lifetime, awards

may be exercised only by the Participant or by the Participant's guardian or legal representative. Notwithstanding the foregoing, at the discretion of the Committee, a grant of an award may (but need not) permit the transfer of the award by the Participant solely to members of the Participant's immediate family or trusts or family partnerships for the benefit of such persons, subject to such terms and conditions as may be established by the Committee.

9.4 Compliance with Applicable Law and Withholding.

(a) The award of any benefit under the Plan may also be made subject to such other provisions as the Committee determines appropriate, including, without limitation, provisions to comply with federal and state securities laws or stock exchange requirements.

(b) If, at any time, FCI, in its sole discretion, determines that the listing, registration, qualification of any type of incentive, or the shares of Common Stock issuable pursuant thereto, or availability of exemption is necessary on any securities exchange or under any federal or state securities or blue sky law, or that the consent or approval of any governmental regulatory body is necessary or desirable, the exercise or issuance of shares of Common Stock pursuant to any incentive, or the removal of any restrictions imposed on shares subject to an incentive, may be delayed until such listing, registration, qualification, exemption, consent, or approval is effected.

(c) The Companies' entities shall have the right to withhold from any award under the Plan or to collect as a condition of any payment under the Plan, as applicable, any taxes required by law to be withheld. To the extent permitted by the Committee, to fulfill any tax withholding obligation, a Participant may elect to have any distribution otherwise required to be made under the Plan (or a portion thereof) to be withheld or, where Stock Options are to be exercised, the Participant may use shares received from the exercise of the Stock Option.

9.5 No Continued Employment. Participation in the Plan will not affect any right any entity of Companies has to terminate the employment of a Participant or give any Participant the right to be retained in the employ of Companies or any right or claim to any benefit under the Plan unless such right or claim has specifically accrued under the terms of any incentive under the Plan.

9.6 Treatment as a Stockholder. No incentive granted to a Participant under the Plan shall create any rights in such Participant as a stockholder of FCI until shares of Common Stock related to the incentive are registered in the name of the Participant.

9.7 Amendment or Discontinuation of the Plan. The Board of Directors may amend, suspend, or discontinue the Plan at any

time; provided, however, that (a) the Committee may amend or suspend the Plan to avoid the occurrence of any of the events/circumstances described in Clauses (i) thru (iii) in Section 9.8 below; and (b), other than such an amendment or suspension by the Committee, no amendment, suspension or discontinuance shall adversely affect any outstanding benefit and if any law, agreement or exchange on which Common Stock is traded requires stockholder approval for an amendment to become effective, no such amendment shall become effective unless approved by vote of FCI's stockholders.

9.8 Limitations on Applicability. No Plan provision shall be applicable if its application would (i) cause a default under the terms of an extension of credit made to any Companies' entity, or (ii) have an effect on the ability of the Partnership to make any "Restricted Payment," or (iii) cause a material change in FCI's Federal, state or local corporate or tax status. In addition to the powers reserved to the Committee in Section 2.2 above, the Committee shall have complete discretion to administer the Plan in such a way as will prevent the occurrence of any such default, inability to make a Restricted Payment or change in corporate tax status.

9.9 Definitions.

(a) Change in Control. The term "Change in Control" shall be defined as

(1) any merger or consolidation of FCI in which such entity is not the survivor,

(2) any sale of all or substantially all of the Common Stock of FCI by the Trust,

(3) a sale of all or substantially all of the Common Stock of FGI,

(4) a replacement of FGI as the General Partner of the Partnership, or

(5) a public sale of a "material" amount of FCI's equity (with materiality being determined by the Committee, but with a material amount of such equity being at least 51% thereof).

(b) Exercise Date. The term "Exercise Date" refers to the 31st day of January (i.e., January 31st) of each year in which a Stock Option may be exercised (with each such year being an odd-numbered year for Tranche A Options and an even-numbered year for Tranche B Options).

(c) Fair Market Value. Except as otherwise determined by the Committee, the "Fair Market Value" of a share of Common Stock as of any date shall equal the value of such a share most recently determined for the ESOP by its independent financial advisor to the ESOP

(assuming no material change in such value since the date as of which such determination was made); provided, however, that the "Fair Market Value" of a share of Common Stock as of any July 31st or January 31st shall equal the value of such a share, as of such date, as determined by such independent financial advisor .

(d) FCI Senior Notes. The term "FCI Senior Notes" means the Series A Notes, the Series B Notes and the Series C Loans issued pursuant to the Master Agreement dated July 15, 1998 among FCI, the initial purchasers of the Series A Notes, the initial purchasers of the Series B Notes, the Series C Lenders referred therein and U.S. Bank National Association, as collateral agent (the "Master Agreement").

(e) Master Agreement. The term "Master Agreement" shall have the meaning set forth in Section 9.9(d) above.

(f) Permanent Disability. The term "permanent disability" means any mental or physical condition which entitles the referenced Participant to disability benefits under the long-term disability plans of the Participant's employer.

(g) Restricted Payment. The term "Restricted Payment" of the Partnership or its subsidiaries means, as applicable, a "Restricted Payment" as defined in the debt documents of either the Partnership or its subsidiaries.

(h) Subordinated Notes. The term "Subordinated Notes" means any promissory note(s) constituting "Subordinated Debt" (as said term is defined in the Master Agreement).

(i) Subsidiary. The term "subsidiary" means any business, whether or not incorporated, in which FCI has a direct or indirect ownership interest.

EMPLOYMENT, CONFIDENTIALITY, AND NONCOMPETE AGREEMENT

This Employment, Confidentiality, and Noncompete Agreement ("Agreement") is made and entered into this 17th day of July, 1998, by and among Ferrell Companies, Inc., a Kansas corporation ("FCI"), Ferrellgas, Inc., a Delaware corporation ("FGI"; FCI and FGI are jointly and severally referred to herein as the "Company" or the "Companies", as the context so requires), James E. Ferrell (the "Executive") and LaSalle National Bank, not in its corporate capacity, but solely as Trustee ("Trustee") of the Ferrell Companies Inc. Employee Stock Ownership Trust.

WHEREAS, the James E. Ferrell Revocable Trust, an affiliate of Executive, has made $40,000,000 subordinated loan to FCI pursuant to a Subordinated Note Purchase Agreement dated as of the date hereof (the "Subordinated Loan").

WHEREAS, FGI is a wholly-owned subsidiary of FCI and serves as the general partner of Ferrellgas Partners, L.P., a Delaware limited partnership ("Ferrellgas Partners") and Ferrellgas, L.P., a Delaware limited partnership ("Ferrellgas", and referred to herein collectively with Ferrellgas Partners as the "Partnerships"), which are engaged primarily in the retail sale, distribution and marketing of propane (the "Business").

WHEREAS, the Companies, through the Partnerships, conduct the Business throughout the United States.

WHEREAS, the Companies, through the Partnerships, have expended a great deal of time, money, and effort to develop and maintain proprietary Confidential Information (as defined below) which, if misused or disclosed, could be harmful to the Business.

WHEREAS, the success of the Companies depends to a substantial extent upon the protection of the Confidential Information and customer goodwill by all of their employees and the employees of the Partnerships.

WHEREAS, the Executive desires to be employed, and to continue to be employed, by the Companies as Chairman of the Board of the Companies.

WHEREAS, the Executive desires to be eligible for other opportunities within the Companies and/or compensation increases which otherwise would not be available to the Executive and to be given access to Confidential Information of the Companies and the Partnerships which is necessary for the Executive to perform his duties, but which the Companies would not make available to the Executive but for the Executive's signing and agreeing to abide by the terms of this Agreement as a condition of the Executive's employment and continued employment with the Companies.

WHEREAS, the Executive recognizes and acknowledges that the Executive's position with the Companies has provided and/or will continue to provide the Executive with access to Confidential Information of the Companies and the Partnerships.

WHEREAS, the Companies compensate their employees to, among other things, develop and preserve goodwill with their customers on each respective Company's behalf and business information for each respective Company's ownership and use.

NOW, THEREFORE, in consideration of the compensation and other benefits of the Executive's employment by the Companies and the recitals, mutual covenants and agreements hereinafter set forth, the Executive and the Companies agree as follows:

Term. The Executive is hereby employed by the Companies, and the Executive hereby accepts such employment upon the terms and conditions set forth herein. The Executive's term of employment under this Agreement shall be for a period of five (5) years, commencing on July 17, 1998 (the "Initial Period"), and shall continue for a period through and including July 17, 2003, unless earlier terminated pursuant to the terms and conditions of this Agreement. Notwithstanding anything herein to the contrary, this Agreement and the term of employment shall be automatically renewed for one year successive periods following the Initial Period (the "Successive Period" and together with the Initial Period, the "Employment Period"), until notice of either party's desire that the Agreement not be renewed for a Successive Period is given by such party on or prior to March 31 of the year in which the next Successive Period shall commence, in which case, subject to Sections 8, 9 and 10, Executives employment under this Agreement shall terminate upon the expiration of the Initial Period or current Successive Period, as the case may be; provided, however, that except as provided in Section 9 (a) the Companies may not terminate any Successive Period for such time as any amount is due under the FCI Subordinated Notes from Ferrell Companies, Inc., a Kansas corporation, to the Executive or his designee dated as of July 17, 1998.

Duties and Responsibilities. During the Employment Period the Executive shall, on a non-exclusive basis, perform the duties and responsibilities customarily incident to the position of Chairman of the Board of the Companies ("Chairman") and as are consistent with the each Company's Bylaws, as now existing or hereafter amended. The duties and responsibilities of the Executive shall include, but not be limited to, the following:

chairing the Board of Director meetings for the Companies;

serving as an ex-officio member of the Senior Management Committee of the Companies;

providing strategic advice and insights related to the industry and the operations and development of the Business, as well as acquisition opportunities, to the Chief Executive Officer of the Companies;

interviewing and providing feedback to the Chief Executive Officer of the Companies regarding candidates for senior management positions;

performing periodic visits to the Companies' district offices at which time advice is provided to area managers and senior field managers, consistent with past practices, and providing feedback to the Chief Executive Officer of the Companies regarding such matters;

meeting on a regular basis with the Chief Executive Officer of the Companies to provide insight, consultation, guidance, and direction related to the operation and development of the Companies;

materially participating in company wide meetings, consistent with past practices;

migrate the role of Chief Operating Officer-Houston as soon as practicable following the date hereof, but in any event no later than July 17, 1999;

assisting in the re-application of FGI's membership to the National Propane Gas Association;

maintaining PERC board membership until such membership is transferred to another senior officer of FGI, which transfer shall occur as soon as practicable following the date hereof, but in any event no later than July 15, 2003;

attempting to facilitate the transfer of board membership on the Propane Vehicle Counsel to another senior officer of FGI, as soon as practicable following the date hereof, but in any event no later than July 17, 2003;

maintaining membership with the World LPG Association as a representative of FGI, until such membership is transferred to another senior officer of FGI, as soon as practicable following the date hereof, but in any event no later than July 17, 2003;

actively participating in the maintenance and development of appropriate and
amicable lender, debtholder, and equity holder relationships; and

such other senior management activities as may be agreed to in writing by the parties from time to time.

Performance of Services. During the Employment Period, the Executive agrees to dedicate a reasonably sufficient amount of time per year (which the parties estimate to equate to approximately 1,000 hours) to the accomplishment of his duties and responsibilities and to perform the duties and responsibilities in a diligent, trustworthy, loyal, business-like and efficient manner. The Executive agrees to follow and act in accordance with all of the Companies' rules, policies, and procedures.

Compensation.

(a) Salary. During the Employment Period, the Companies shall pay the Executive as compensation for his services a monthly base salary of not less than ten thousand dollars ($10,000), payable in accordance with the Companies' usual practices. The Executive's base salary shall be eligible for review and increase consistent with practices of the Companies in effect from time to time during the Employment Period, but shall not be reduced. The Executive shall be eligible to participate in such perquisites as may from time to time be awarded to the Executive by the Companies payable at such times and in such amounts as the Companies, in their sole discretion, may determine; provided, however, that such perquisites so awarded are no less favorable to Executive than similar perquisites awarded to other members of the Companies' senior management.

(b) Personal Service Bonus. As an additional inducement, the Executive shall be entitled to receive a bonus (the "Incentive Bonus") payable by the Companies on the later of: (i) the date the Executive's employment under this Agreement terminates (for any reason; (the "Employment Termination Date");(ii) the date that all indebtedness under the Subordinated Loan has been paid in full (the "Subordinated Loan Payment Date"); or (iii) the Incentive Bonus is permitted to be paid pursuant to the covenants, terms and conditions of any financing documents applicable to FCI (the "Bonus Payment Date"). The amount of the Incentive Bonus shall be equal to .005 of the increase in the equity value of FCI from July 31, 1998 (as determined by an appraisal by the financial advisor to the trustee of the ESOT (the "Appraiser")) to and including the date of the most recent appraisal conducted by the Appraiser prior to the earlier of: (y) the Employment Termination Date; or (z) the Subordinated Loan Payment Date.

Benefit Plans. During the Employment Period and as otherwise provided herein, the Executive shall be entitled to participate in any and all employee welfare and health benefit plans (including, but not limited to life insurance, health and medical, dental, and disability plans) and other employee benefit plans (including but not limited to the Companies' 401(k) plan and qualified pension plans) established by the Companies from time to time for the benefit of executive employees of the Companies; provided, however, that nothing herein shall entitle the Executive to participate in any Company employee stock ownership plan or any equity board incentive compensatoin plan of the Company and its affiliates. Such employee benefit plans in which the Executive shall be entitled to participate on the date hereof shall include those listed on Schedule 5 hereof. The Executive shall be required to comply with the conditions

attendant to coverage by such plans and shall comply with and, except as otherwise provided herein, shall be entitled to benefits only in accordance with the terms and conditions of such plans as they may be amended from time to time. Nothing herein contained shall be construed as requiring the Companies to establish or continue any particular benefit plan in discharge of their obligations under this Agreement.

Other Benefits.

During the Employment Period, the Executive shall be entitled to such other employment benefits extended or provided to other key executives of the Companies, including, but not limited to, payment or reimbursement of all business expenses incurred by the Executive in the performance of his duties and other job related activities set forth in this Agreement or subsequently agreed to by the parties and in the promotion of the Business in accordance with the Companies' customary policies and procedures. The Executive shall submit to the Companies periodic statements of all expenses so incurred. Subject to such audits as the Companies may deem necessary, the Companies shall reimburse the Executive the full amount of any such expenses advanced by him in the ordinary course of business.

During the Employment Period the Companies shall provide the Executive with office space and administrative support services consistent with past practices.

The Executive shall be entitled to reimbursement of reasonable expenses incurred by Executive in connection with the negotiation of this Agreement, which shall be paid to Executive upon submission to the Companies of proper vouchers evidencing such expenses and the purposes for which the same were incurred.

The Board of Directors of the Companies may, in their sole discretion, approve additional benefits to be offered to the Executive at such time as they deem appropriate.

Deductions from Salary and Benefits. The Companies shall withhold from any compensation or benefits payable to the Executive all customary federal, state, local and other withholdings, including, without limitation, federal and state withholding taxes, social security taxes and state disability insurance.

Death or Disability.

In the event of the death or termination of employment due to permanent disability of the Executive during the Employment Period, (i) all sums payable to the Executive under this Agreement through the end of the second month following the month in which such event occurs, (ii) all amounts earned by the Executive but not taken at the time of the termination of employment, and (iii) a cash, lump-sum amount equal to three (3) times the greater of (X) 125% of the then current base salary, or (Y) the average compensation paid for the prior three (3) fiscal years, shall be paid to the Executive or the Executive's estate or guardian, as the case may be, as soon as practicable after the death occurs or permanent disability is determined. In addition, if such termination occurs after the third month of the Companies' then fiscal year, sums payable to the Executive shall include a pro rata portion of any amounts to which the Executive would have otherwise been entitled for the year in which such event occurs under any Company perquisite to which Executive is a participant. For purposes of calculating any bonus as applicable pursuant to Section 6(d), to be paid to the Executive pursuant to this Section 8(a), the Executive shall be entitled to the payment of any bonus normally calculated with reference to a future period based upon a percentage of the amount paid for such item in the previous fiscal year; such percentage to be calculated by dividing the number of days of his employment during the Companies' then current fiscal year by the number 365.

For purposes of this Agreement, "permanent disability" means the impairment of Executive's physical or mental health which makes the performance of duties impractical or impossible as evidenced by the certification of Executive's doctor.

Termination by the Companies.

The Executive's duties and responsibilities under this Agreement may be terminated by the Companies for good Cause, subject to the provisions of this Section 9(a), upon at least sixty (60) calendar days' ("Notice Period") written notice ("Notice") to the Executive of their intent to terminate Executive's employment. The Notice shall specify the particulars of such Cause and shall afford the Executive an opportunity to discuss the particulars of such Cause with the Board of Directors of FCI and to cure such Cause to the reasonable satisfaction of the Board of Directors of FCI during the Notice Period. If such Cause shall not be cured accordingly, Executive's employment shall terminate upon expiration of the Notice Period and no compensation shall be due him beyond the date of such termination (other than pursuant to pension or other plans which by their terms provide payments beyond the date of termination in such circumstances). For purposes of this Agreement "Cause" means: (i) the conviction of Executive by a court of competent jurisdiction of, or entry of a plea of nolo contendere with respect to, a felony or any other crime, which other crime involves fraud, dishonesty or moral turpitude which interferes with the performance of Executive's duties, responsibilities or obligations under this Agreement; (ii) fraud or embezzlement related to either of the Companies on the part of Executive; (iii) Executive's chronic abuse of or dependency on alcohol or drugs (illicit or otherwise) which materially interferes with the performance of Executive's duties, responsibilities or obligations under this Agreement; (iv) the material breach by Executive of Sections 15, 16 or 17 hereof, except as permitted pursuant to Section 11 hereof; (v) any act of moral turpitude or willful misconduct by Executive which (A) results in personal enrichment of Executive at the expense of the Companies, or (B) may have a material adverse impact on the Business or reputation of the

Companies; (vi) gross and willful neglect of material duties and responsibilities of the Executive pursuant hereto, or an intentional violation of a material term of this Agreement; (vii) any material violation of any statutory or common law fiduciary duty of Executive to FCI or FGI; or (viii) failure by Executive to comply with a material Company policy, as reasonably determined by the Board of Directors of FCI.

While the parties agree that the Companies may not terminate the Executive's duties and responsibilities under this Agreement except as provided in Section 9(a), if such duties and responsibilities are involuntarily terminated by the Companies for any reason other than for good Cause as noted in Section 9(a), the Companies shall pay Executive the payments and provide him the benefits specified in Section 8(a) hereof.

Termination by the Executive. The Executive may terminate his employment under this Agreement upon at least sixty (60) calendar days' ("Executive Notice Period") written notice ("Executive Notice") to the Companies of such termination:

without Cause, upon expiration of the Executive Notice Period, in which event no compensation shall be due him beyond the date of such termination (other than pursuant to pension or other plans which by their terms provide payment beyond the date of termination); and

for Executive Cause. The Executive Notice shall specify the particulars of such Executive Cause and during the Executive Notice Period the Executive shall afford the Board of Directors of FCI an opportunity to discuss the particulars of such Executive Cause with the Executive and to cure such Executive Cause to the satisfaction of the Executive during the Executive Notice Period. If such Executive Cause shall not be cured accordingly, Executive's employment shall terminate upon expiration of the Executive Notice Period. In all events, Executive shall be paid all compensation and provided all benefits due him during the Executive Notice Period (and thereafter under Section 8(a)). "Executive Cause" means any of the following to which the Executive does not agree: (i) assignment to the Executive of duties or responsibilities, or the material diminution of duties or responsibilities, that are inconsistent with his position, duties, responsibilities or status as they exist at the commencement of the term of this Agreement; (ii) material change in the reporting responsibilities of the Executive; provided, however, that notwithstanding the effect of changes on the Board under Section 11 hereof, changes in the identity of persons on the Board shall not be considered a change in reporting responsibilities for purposes of this Section; or (iii) withdrawal from the Executive of his title as Chairman or a material breach of any provision of this Agreement by the Companies.

Effect of Certain Terminations; Change in Control. If (a) any Company or Partnership merges with or is consolidated into another corporation or other entity not theretofore affiliated with any Company or Partnership (i.e., controlled by, controlling or under common control with the Companies or the Partnerships, as applicable) and the Company or Partnership so merging or consolidating is not the surviving entity pursuant to such merger or consolidation, or if all or substantially all of the assets of any Company or Partnership are acquired by another corporation or other entity not theretofore affiliated with either Company or Partnership in a single transaction or a series of related transactions, or if more than a majority of the Board of Directors of either Company changes within a 12-month period, or if FGI is no longer the general partner of the Partnerships, or if either Company registures a class of equity securities under the Securities Exchange Act of 1934 (all such events being referred to herein as "Change in Control"), and (b) within eighteen (18) months after any such Change in Control the Executive's employment under this Agreement is terminated, then upon such termination or occurence: (i) the Companies shall pay the Executive a cash, lump-sum termination benefit not later than thirty (30) calendar days after such termination equal to three (3) times the greatest of 125% of (A) his then current base salary, (B) the average compensation (base salary plus bonuses, if any) paid for the prior three (3) fiscal years prior to such termination, or (C) the total compensation remaining for the Initial Period, if such Change of Control occurs during the Initial Period, or for the Successive Period, if such occurs during any Successive Period, (ii) the Companies shall pay the Executive any other amounts earned but unpaid, (iii) if such termination occurs after the third month of the Companies' then current fiscal year, the Companies shall pay the Executive a pro rata portion (such proration shall be on the basis that the number of months of his employment during the Companies' then current fiscal year bears to the number 12, considering the month of termination as a month of full employment, and in the case of any plan measured over a full year, such determination and payment shall be made after the close of such year) of any amounts to which he would have otherwise been entitled under any Company perquisite to which Executive is a participant, (iv) the Companies, at their expense, shall continue the Executive's health, accident and life insurance benefits for six (6) months after the month in which such termination occurs (following which the Executive, at his expense, shall have the right to extend such benefits under COBRA for a period of eighteen (18) months), and (iv) Section 17 hereof shall terminate and be of no effect. For purposes of calculating any bonus, if applicable, to be paid to the Executive pursuant to this Section 11, the Executive shall be entitled to the payment of any bonus normally calculated with reference to a future period based upon the total amount paid for such bonus in the three (3) previous fiscal years.

Mitigation or Reduction of Benefits. Executive shall not be required to mitigate or reduce the amount of any payment upon termination provided for herein by seeking other employment or otherwise nor, except as otherwise specifically set forth herein, shall the amount of any payment or benefits provided upon termination be reduced by any compensation or other amounts paid to or earned by Executive as the result of employment by another employer after such termination or otherwise.

Certain Additional Payments by the Companies.

(a) Notwithstanding anything in this Agreement to the contrary and except as set forth below, in the event it shall be determined that any payment or distribution by the Companies to or for the benefit of the Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, but determined without regard to any additional payments required under this Section) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code"), or any interest or penalties are incurred by the Executive with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), then the Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by the Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments.

(b) Subject to the provisions of Section 13(c), all determinations required to be made under this Section 13, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by certified public accounting firm as designated by the Executive (the "Accounting Firm") which shall provide detailed supporting calculations both to the Companies and the Executive within fifteen (15) business days of the receipt of notice from the Executive that there has been a Payment, or such earlier time as is requested by the Companies. In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity or group effecting a Change of Control, the Executive shall appoint another nationally recognized accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All fees and expenses of the Accounting Firm shall be borne solely by the Companies. Any Gross-Up Payment, as determined pursuant to this Section 13, shall be paid by the Companies to the Executive within five (5) calendar days of the receipt of the Accounting Firm's determination. Any determination by the Accounting Firm shall be binding upon the Companies and the Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Companies should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event that the Companies exhaust their remedies pursuant to Section 13(c) and the Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Companies to or for the benefit of the Executive.

(c) The Executive shall notify the Companies in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Companies of the Gross-Up Payment. Such notification shall be given as soon as practicable but no later than ten (10) business days after the Executive is informed in writing of such claim and shall apprise the Companies of the nature of such claim and the date on which such claim is requested to be paid. The Executive shall not pay such claim prior to the expiration of the 30-day period following the date on which the Executive gives such notice to the Companies (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Companies notify the Executive in writing prior to the expiration of such period that it desires to contest such claim, the Executive shall:

(1) give the Companies any information reasonably requested by the Companies relating to such claim,

(2) take such action in connection with contesting such claim as the Companies shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Companies,

(3) cooperate with the Companies in good faith in order to effectively contest such claim, and

(4) permit the Companies to participate in any proceedings relating to such claim;

provided, however, that the Companies shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Section 13(c), the Companies shall control all proceedings taken in connection with such contest and, at their sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at their sole option, either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Companies shall determine; provided, however, that if the Companies direct the Executive to pay such claim and sue for a refund, the Companies shall

advance the amount of such payment to the Executive, on an interest-free basis and shall indemnify and hold Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(d) If, after the receipt by the Executive of an amount advanced by the Companies pursuant to Section 13(c), the Executive becomes entitled to receive any refund with respect to such claim, the Executive shall (subject to the Companies' complying with the requirements of Section 13(c)) promptly pay to the Companies the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Executive of an amount advanced by the Companies pursuant to Section 13(c), a determination is made that the Executive shall not be entitled to any refund with respect to such claim and the Companies do not notify the Executive in writing of their intent to contest such denial of refund prior to the expiration of thirty (30) calendar days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

Indemnification. The Companies shall indemnify the Executive to the fullest extent permitted by law against any liability he incurs, or which is threatened against him, during or after termination of his employment, by reason of the fact that he is or was a director, officer, employee or agent of the Companies, or is or was serving at the request of the Companies as a director, officer, employee or agent of another corporation or other entity. In providing such indemnification, and in addition to and not in lieu of its general obligations to indemnify the Executive, the Companies shall reimburse the Executive upon demand for all reasonable expenses and payments incurred or made by the Executive relating to any matter for such indemnification hereunder is due.

15. Confidential Information. The Executive acknowledges that the information, observations and data (whether in human or machine readable form) obtained by him while employed by the Companies concerning the business or affairs of the Companies, a Partnership, or any other affiliate, including any information pertaining to the Business which is not generally known in the propane industry, including, but not limited to, trade secrets, internal processes, designs, design information, products, test data, research and development plans and activities, equipment modifications, techniques, software and computer programs and derivative works, business and marketing plans, projections, sales data and reports, confidential evaluations, compilations and/or analyses of technical or business information, profit margins, customer requirements, costs, profitability, sales and marketing strategies, pricing policies, strategic plans, training materials, internal financial information, operating and financial data and projections, names and addresses of customers, inventory lists, sources of supplies, supply lists, employee lists, mailing lists, and information concerning relationships between any Company or Partnership and their employees or customers which gives or may give the Companies or the Partnerships an advantage over competitors ("Confidential Information") are the property of the Company, the Partnership or such other affiliate, as applicable. Therefore, Executive agrees that he shall not use any Confidential Information other than in connection with performing the Executive's services for or on behalf of the Companies in accordance with this Agreement, or disclose to any unauthorized person or use for his own account any Confidential Information without the prior written consent of the Board of the Companies, unless and to the extent that the aforementioned matters become generally known to and available for use by the public other than as a result of Executive's acts or omissions to act. Executive shall deliver to the Companies at the termination of Executive's employment, or at any other time the Companies may request, all memoranda, notes, plans, records, reports, computer tapes and software and other documents and data (and copies thereof) relating to the Confidential Information, Work Product (as defined below) and the Business which he may then possess or have under his control. The Companies and the Executive acknowledge that: (a) the Confidential Information is commercially and competitively valuable to the Companies and their affiliates; (b) the unauthorized use or disclosure of the Confidential Information would cause irreparable harm to the Companies and their affiliates; (c) the Companies have taken and are taking all reasonable measures to protect their legitimate interest in the Confidential Information, including, without limitation, affirmative action to safeguard the confidentiality of such Confidential Information; (d) the restrictions on the activities in which Executive may engage set forth in this Agreement, and the periods of time for which such restrictions apply, are reasonably necessary in order to protect the Companies' legitimate interests in their Confidential Information; and (e) nothing herein shall prohibit the Companies from pursuing any remedies, whether in law or equity, available to the Companies for breach or threatened breach of this Agreement, including the recovery of damages from Executive.

16. Inventions and Patents. Executive agrees that all inventions, innovations, improvements, developments, methods, designs, analyses, drawings, reports, and all similar or related information which relates to the Companies' actual or anticipated business (to the extent the Executive is aware thereof), research and development or existing or future products or services and which are conceived, developed or made by Executive while employed by the Companies or any of their affiliates (whether prior to or during the Employment Period) ("Work Product") belong to the Companies or such other affiliate, and

Executive hereby assigns to the Companies his entire right, title and interest in any such Work Product. Executive will promptly disclose such Work Product to the Board of the Companies and perform all actions reasonably requested by the Board of the Companies (whether during or after Executive's employment period) to establish and confirm such ownership (including, without limitation, assignments, consents, powers of attorney and other instruments).

Noncompete; Nonsolicitation.

Executive acknowledges that in the course of his employment with the Companies he will become familiar with Confidential Information and that his services will be of special, unique and extraordinary value to the Companies. Therefore, Executive agrees that, during the time he is employed by the Companies pursuant hereto and thereafter for the period of time of five (5) years (ii) until the payment in full of the Senior Secured Notes (as defined in the Subordinated Note Purchase Agreement) and any indebtdness incurred in connection with any extensions, renewals, replacements or refinancing of the indebtedness evidenced thereby in the extent that all or any portion of the Subordiantd Loan has been transferred or assigned to any person who is not a "Permitted Assignee" (as defined in the Subordinated Note Purchase Agreement)(the "Noncompete Period"), Executive shall not directly or indirectly own, manage, control, or engage in any business with any person (including by himself or in association with any person, firm, corporate or other business organization or through any other entity) whose business is substantially similar to the Business (as defined in the first "Whereas" clause of this Agreement, and for purposes of this Section 17, shall be limited to the retail aspects of the Business) as such business exists or is in process on the date of the termination of Executive's employment, within any geographical area in which the Companies engage in Business on the date of the termination of Executive's employment; provided, however, that nothing herein shall prohibit the Executive either directly or indirectly from owning, managing, controlling or engaging in any business which competes with the Companies in areas other than the retail sale of propane gas.

Nothing herein shall prohibit Executive from being a passive owner of not more than 5% of the outstanding stock of a corporation which is publicly traded, so long as Executive has no active participation in the business of such corporation.

During the Noncompete Period, Executive shall not directly or indirectly through another entity (i) induce or attempt to induce any employee of the Companies or any affiliate of the Companies to leave the employ of the Companies or such affiliate, or in any way interfere with the relationship between the Companies and any employee thereof, (ii) hire any person who was an employee of the Companies at any time within the six-month period prior to the date of termination of Executive's employment with the Companies or any affiliate thereof, or (iii) induce or attempt to induce any customer, supplier, licensee, licensor, franchisee, franchisor or other business relation of the Companies or any affiliate to cease doing business with the Companies or such affiliate, or in any way interfere with the relationship between any such customer, supplier, licensee, licensor, franchisee, franchisor or business relation and the Companies or any affiliate thereof.

The Companies and the Executive agree that: (i) the covenants set forth in this Section 17 are reasonable in geographical and temporal scope and in all other respects, (ii) the Companies would not have entered into this Agreement but for the covenants of Executive contained herein, and (iii) the covenants contained herein have been made in order to induce the Companies to enter into this Agreement.

If, at the time of enforcement of this Section 17, a court or arbiter shall hold that the duration, scope or area restrictions stated herein are unreasonable under circumstances then existing, the parties agree that the maximum duration, scope or area reasonable under such circumstances shall be substituted for the stated duration, scope or area and that the court shall be allowed to revise the restrictions contained herein to cover the maximum period, scope and area permitted by law.

The Executive hereby agrees that he shall at no time either prior to or following expiration of the Noncompete Period use the name "Ferrellgas" in any business venture unrelated to FGI engaged in by Executive without the prior written consent of the FGI; provided, however, that nothing herein shall be construed to limit the Executive from using the name "Ferrell" in any context which is not substantially related to the Business of the Companies.

Companies' Right to Injunctive Relief, Tolling. In the event of a breach or threatened breach of any of the Executive's duties and obligations under the terms and provisions of Sections 15, 16 or 17 hereof, the Companies shall be entitled, in addition to any other legal or equitable remedies it may have in connection therewith (including any right to damages that it may suffer), to temporary, preliminary, and permanent injunctive relief restraining such breach or threatened breach. The Executive hereby expressly acknowledges that the harm which might result to the Business as a result of any noncompliance by the Executive with any of the provisions of Sections 15, 16 or 17 hereof would be largely irreparable.

Judicial Enforcement. If any provision of this Agreement is adjudicated to be invalid or unenforceable under applicable law in any jurisdiction, the validity or enforceability of the remaining provisions thereof shall be unaffected as to such jurisdiction and such adjudication shall not affect the validity or enforceability of such provisions in any other jurisdiction. To the extent that any provision of this Agreement is adjudicated to be invalid or unenforceable because it is overbroad, that provision shall not be void but rather shall be limited only to the extent required by applicable law and enforced as so limited. The parties expressly acknowledge and agree that this Section is reasonable in view of the parties' respective interests.

Executive Warranties and Representations. The Executive warrants and

represents that the execution and delivery of the Agreement and the Executive's employment with the Companies do not violate any previous employment agreement or other contractual obligation of the Executive.

Payments to Executive. For the avoidance of doubt, while the Companies are jointly and severally liable for payments due to the Executive hereunder nothing herein shall be construed to entitle the Executive to duplicate compensation or benefits to be paid by both of FCI and FGI pursuant hereto. Payments due to the Executive by the Companies shall be paid by FCI and/or FGI as determined appropriate by the Board of Directors of FGI.

Covenants.

The Companies hereby covenant that unless the Executive's employment is terminated for good Cause pursuant to Section 9 (a) hereof, they shall ensure that during the Employment Period, (i) the Executive is elected to the Board of Directors of the Companies and that the Executive shall be appointed as Chairman, (ii) the Executive, and Danley K. Sheldon and Elizabeth Solberg are elected as the Plan Administrator as defined in, and pursuant to, the Ferrell Companies, Inc. Stock Ownership Plan, and that they are, and they each remain, for so long as they are Directors of the Company, the only members thereof, and (iii) the Plan Administrator directs the Trustee that the Executive is elected to the Board of the Companies and appointed Chairman thereof.

The Trustee, subject to its duties to comply with applicable provisions of ERISA and the Department of Labor regulations promulgated in connection therewith, hereby covenants to vote the capital stock of the Ferrell Companies Inc. Employee Stock Ownership Trust to elect the Executive to the Board of the Companies.

The Executive may designate in writing to the Companies, a replacement director (the "Designee") to take Executive's place on the Board of Directors of the Companies in the event of termination of Executive's employment pursuant to Section 8, 9 or 10 hereof at such time as the FCI Subordinated Notes are outstanding. The Companies acknowledge that in the event of such a termination of Executive's employment and for such time as the FCI Subordinated Notes are outstanding and held directly or indirectly by the Executive's trust, estate, hiers or beneficiaries, the Executive or the Executor (or guardian, as the case may be) of the Executive's estate shall have the right to appoint the Designee, or if not so designated by Executive pursuant hereto, in its sole discretion to designate the Designee, and the Companies hereby covenant to ensure that the Designee is elected to the Board of the Companies.

In the event that the Executive's employment is terminated pursuant to Section 8, 9 or 10 hereof at such time as the FCI Subordinated Notes are outstanding, the Trustee, subject to compliance with applicable ERISA and the Department of Labor regulations promulgated thereunder, hereby covenants to vote the capital of the Ferrell Companies Inc. Employee Stock Ownership Trust to elect the Designee to the Board of the Companies, for such period as the FCI Subordinated Notes are outstanding and held directly or indirectly by the Executive's estate, hiers or beneficiaries.

In the event of a breach or threatened breach of this Section 22, the Executive shall be entitled, in addition to any other legal or equitable remedies he may have in connection therewith (including any right to damages that he may suffer) to temporary, preliminary, and permanent injunctive relief restraining such breach or threatened breach.

Survival. The provisions of this Agreement, except as otherwise provided herein, shall continue in full force in accordance with their terms notwithstanding any termination of the Executive's employment by the Companies.

Right to Recover Costs and Fees. The Executive and the Companies undertake and agree that if either the Executive or a Company breaches or threatens to breach this Agreement (the "Breaching Party"), the Breaching Party shall be liable for any attorneys' fees and costs incurred by the non-Breaching Party in enforcing the non-Breaching Party's rights hereunder.

Entire Agreement, Amendments and Modifications. This Agreement constitutes the entire agreement and understanding of the parties regarding the employment of the Executive by the Companies and supersedes all prior agreements and understandings between the Executive and the Companies to the extent that any such agreements or understandings conflict with the terms of this Agreement. No modification, amendment or waiver of any of the provisions of this Agreement shall be effective unless in writing specifically referring hereto, and signed by the parties hereto.

Assignments. This Agreement shall be freely assignable by the Companies to, and shall inure to the benefit of and be binding upon, their successors and assigns and/or any other entity which shall succeed to the business presently being conducted by the Companies. Being a contract for personal services, neither this Agreement nor any rights hereunder shall be assigned by the Executive.

Choice of Forum; Governing Law. In light of the Companies' substantial contacts with the State of Missouri, the parties' interests in ensuring that disputes regarding the interpretation, validity, and enforceability of this Agreement are resolved on a uniform basis, and the Companies execution of, and the making of, this Agreement in Missouri, the parties agree that: (i) any litigation involving any noncompliance with or breach of the Agreement, or regarding the interpretation, validity and/or enforceability of the Agreement, shall be filed and conducted in the state or federal courts in the State of Missouri; and (ii) the Agreement shall be interpreted in accordance with and governed by the laws of the State of Missouri, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of Missouri or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Missouri.

Headings and Interpretation. Section headings are provided in this Agreement for convenience only and shall not be deemed to substantively alter the content of such sections. Whenever the words "include", "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation". References to the singular or plural tense of a word shall also include the plural or singular as the context may require.

Neutral Construction. Each party acknowledges that in the negotiation and drafting of this Agreement, they have been represented by and relied upon the advice of counsel of their choice. The parties affirm that they and their counsel have had a substantial role in such negotiation and drafting and, therefore, the parties agree that this Agreement shall be deemed to have been drafted by all the parties hereto and the rule of construction to the effect that any contract ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement or any exhibit hereto.

Notices. Any notice, request, consent or communication (collectively, a "Notice") under this Agreement shall be effective only if it is in writing and (i) personally delivered with written receipt thereof, (ii) sent by certified or registered mail, return receipt requested, postage prepaid or (iii) sent by a nationally recognized overnight delivery service, with delivery confirmed, addressed as follows (or at such other address for a party as shall be specified by like notice):

(a) If to the Executive, to:	Mr. James E. Ferrell 2142 Inwood Drive Houston, Texas 77019
(b) With a copy to:	Bryan Cave LLP One Kansas City Place 1200 Main Street Kansas City, Missouri 64105 Attn: John M. Edgar, Esq.
(c) If to FGI, to:	Ferrellgas, Inc. One Liberty Plaza Liberty, Missouri 64068 Attention: Mr. Danley K. Sheldon, President
(d) If to FCI, to:	Ferrell Companies, Inc. One Liberty Plaza Liberty, Missouri 64068 Attention: Mr. Danley K. Sheldon, President
(e) If to the Trustee, to:	LaSalle National Bank Trust & Asset Management 135 S. LaSalle, 19th Floor Chicago, Illinois 60606-5096 Attn: William W. Merten, Esq.
(f) With a copy to:	McDermott, Will & Emery 277 West Monroe Street Chicago, Illinois 60606-5096 Attn: William W. Merten, Esq.

A Notice shall be deemed to have been given as of the date when (i) personally delivered as indicated by date of receipt, (ii) five (5) days after the date when deposited with the United States certified mail, return receipt requested, properly addressed, or (iii) when receipt of a Notice sent by an overnight delivery service is confirmed by such overnight delivery service, as the case may be, unless the sending party has actual knowledge that a Notice was not received by the intended recipient.

32. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and together shall constitute one and the same Agreement.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the day and year first above written.

FERRELL COMPANIES, INC.

By: /s/ Kevin T. Kelly
Kevin T. Kelly
Vice President

EXECUTIVE

By: /s/ James E. Ferrell
James E. Ferrell

FERRELLGAS, INC.

By: /s/ Kenneth A. Heinz
Kenneth A. Heinz
Assistant Secretary

TRUSTEE

By: /s/ E. Vaughn Gordy
E. Vaughn Gordy, on behalf of LaSalle National Bank, solely as Trustee of the Ferrell Companies Inc. Employee Stock Ownership Trust, and not in Mr.Gordy's individual capacity or LaSalle National Bank's corporate capacity.

PLEASE NOTE: BY SIGNING THIS AGREEMENT, EXECUTIVE IS HEREBY CERTIFYING THAT EXECUTIVE (A) HAS RECEIVED A COPY OF THIS AGREEMENT FOR REVIEW AND STUDY BEFORE EXECUTING IT; (B) HAS READ THIS AGREEMENT CAREFULLY BEFORE SIGNING IT; (C) HAS HAD SUFFICIENT OPPORTUNITY BEFORE SIGNING THE AGREEMENT TO ASK ANY QUESTIONS EXECUTIVE HAS ABOUT THE AGREEMENT AND HAS RECEIVED SATISFACTORY ANSWERS TO ALL SUCH QUESTIONS; AND (D) UNDERSTANDS EXECUTIVE'S RIGHTS AND OBLIGATIONS UNDER THE AGREEMENT.

Schedule 5

Employee Benefit Plans

The following is a listing of the benefit plans available to James E. Ferrell:

Comprehensive medical plan.

Dental plan.

Vision plan.

Short-term disability plan.

Long-term disability plan.

Employee life insurance - maximum of $500,000.

Dependent life insurance.

Accidental death and disability - maximum of $300,000.

401(k) plan - maximum employee contribution of 15%; employer match of 50% of first 8% of employee contribution. Maximum contributions subject to statutory limitations.

Profit sharing plan - discretionary employer contribution to retirement plan. Contribution subject to statutory limitations.

Supplemental savings plan - non-qualified deferred compensation plan. Maximum contribution of 100% of earnings, subject to annual limitation. This plan provides the balance of the 4% match contemplated by the 401(k) plan for Employee's capped out of the 401(k) plan due to statutory limitations.

EMPLOYMENT, CONFIDENTIALITY, AND NONCOMPETE AGREEMENT

This Employment, Confidentiality, and Noncompete Agreement ("Agreement") is made and entered into this 17th day of July, 1998, by and among Ferrell Companies, Inc., a Kansas corporation ("FCI"), Ferrellgas, Inc., a Delaware corporation ("FGI"; FCI and FGI are jointly and severally referred to herein as the "Company" or the "Companies", as the context so requires), Danley K. Sheldon (the "Executive") and LaSalle National Bank, not in its corporate capacity, but solely as trustee ("Trustee") of the Ferrell Companies Inc. Employee Stock Ownership Trust.

WHEREAS, the FGI is a wholly-owned subsidiary of FCI and serves as the general partner of Ferrellgas Partners, L.P., a Delaware limited partnership ("Ferrellgas Partners") and Ferrellgas, L.P., a Delaware limited partnership ("Ferrellgas", and referred to herein collectively with Ferrellgas Partners as the "Partnerships"), which are engaged primarily in the sale, distribution and marketing of propane and other natural gas liquids (the "Business").

WHEREAS, the Companies, through the Partnerships, conduct the Business throughout the United States.

WHEREAS, the Companies, through the Partnerships, have expended a great deal of time, money, and effort to develop and maintain proprietary Confidential Information (as defined below) which, if misused or disclosed, could be harmful to the Business.

WHEREAS, the success of the Companies depends to a substantial extent upon the protection of the Confidential Information and customer goodwill by all of their employees and the employees of the Partnerships.

WHEREAS, the Executive desires to be employed by each of the Companies as President and Chief Executive Officer.

WHEREAS, the Executive desires to be eligible for other opportunities within the Companies and/or compensation increases which otherwise would not be available to the Executive and to be given access to Confidential Information of the Companies and the Partnerships which is necessary for the Executive to perform his duties, but which the Companies would not make available to the Executive but for the Executive's signing and agreeing to abide by the terms of this Agreement as a condition of the Executive's employment and continued employment with the Companies.

WHEREAS, the Executive recognizes and acknowledges that the Executive's position with the Companies has provided and/or will continue to provide the Executive with access to Confidential Information of the Companies and the Partnerships.

WHEREAS, the Companies compensate their employees to, among other things, develop and preserve goodwill with their customers on each respective Company's behalf and business information for each respective Company's ownership and use.

NOW, THEREFORE, in consideration of the compensation and other benefits of the Executive's employment by the Companies and the recitals, mutual covenants and agreements hereinafter set forth, the Executive and the Companies agree as follows:

Term. The Executive is hereby employed by the Companies, and the Executive hereby accepts such employment upon the terms and conditions set forth herein. The Executive's term of employment under this Agreement shall be for a period of eight (8) years, commencing on July 17, 1998 and shall continue for a period through and including July 17, 2006 (the "Initial Period"), unless earlier terminated pursuant to the terms and conditions of this Agreement. Notwithstanding anything herein to the contrary, this Agreement and the term of employment, unless either the Companies or the Executive provides six (6) months written notice to the other parties hereto that the Agreement shall not renew upon expiration of then current employment period, subject to Sections 8, 9 and 10, shall be automatically renewed for one year successive periods following the Initial Period (each a "Successive Period" and together with the Initial Period, the "Employment Period").

Duties and Responsibilities. During the Employment Period, the Executive shall (i) be employed as President and Chief Executive Officer of the Companies, with such duties as are customarily incident to such offices and as consistent with the Bylaws of the Companies, as now existing or hereafter amended, and (ii) be a member of the Board of Directors of the Companies. The precise services of the Executive may be extended or curtailed at the discretion of the Companies, so long as after such extension or curtailment, the duties of the Executive are consistent with the duties normally attendant to the aforesaid offices. The Executive will perform his duties in a diligent, trustworthy, loyal, and business-like manner, all for
the purpose of advancing the Business.

Performance of Services. During the Employment Period, the Executive shall devote his primary time, attention and energies to the Business and shall not during such time be substantially engaged in any other business activity whether or not such business activity is pursued for gain, profit, or other pecuniary advantage; provided, however, that nothing herein shall be construed as preventing the Executive (i) from being involved in civic, philanthropic or community service activities, from participating in other businesses and receiving compensation therefore, to the extent that such involvement and participation does not involve management or participation in day-to-day activities thereof and does not detract from the performance by the Executive of his duties to the Companies pursuant hereto; provided, further, that at the request of the Board of Directors of the Companies, the Executive shall disclose such involvement therein, or (ii) from investing his assets in such form or

manner as will not require any appreciable services on the part of the Executive in the operation of the affairs of any entity in which such investments are made, so long as such activities do not substantially interfere or conflict with the Executive's discharge of his duties and responsibilities hereunder. The Executive agrees to follow and act in accordance with all of the rules, policies, and procedures of the Companies.

Compensation.

During the Employment Period, Executive's base salary shall be not less than $340,000 per year ("Base Salary"), payable in regular installments in accordance with the Companies usual payroll practices and subject to review and increase consistent with practices of the Companies in effect from time to time during the Employment Period, but shall not be reduced.

Performance Bonus. During the Employment Period, the Executive shall be entitled to an annual bonus as set forth below (collectively, the "Performance Bonus"):

A percentage of the Base Salary based on Ferrellgas Partners achieving certain reasonably budgeted EBITDA (as defined below) targets, which budgeted EBITDA shall be approved at least annually by the Board of Directors of FGI, calculated as follows:

Actual to to Budgeted EBITDA	Bonus as a % of Base Salary
Less than 90%	0%
90%	15.0%
91%	17.0%
92%	19.0%
93%	21.0%
94%	23.0%
95%	25.0%
96%	27.5%
97%	30.0%
98%	32.5%
99%	35.0%
100%	37.5%

In the event actual EBITDA exceeds the budgeted EBITDA, the Performance Bonus shall include, in addition to the bonus provided for in subpart (1) hereof, an additional bonus of one percent (1%) of Base Salary for each percent that the actual EBITDA exceeds the budgeted EBITDA.

During the Employment Period, the Performance Bonus shall be payable within fifteen (15) calendar days following receipt of by Ferrellgas Partners' of its audited financial statements; provided, however, that notwithstanding anything herein to the contrary, Executive's entitlement to and calculation and payment of a Performance Bonus for the fiscal year ended July 31, 1998 shall be at the sole discretion of the Board of Directors of FGI, which determination and payment, if any, shall be made no later than September 30, 1998.

"EBITDA" means, for any period, consolidated net income of Ferrellgas Partners and its subsidiaries determined in accordance with generally accepted accounting principles plus (i) provisions for taxes based on income or profits to the extent included in computing such consolidated net income, plus (ii) consolidated interest expense (including deferred financing fees and expenses) and other expenses in respect of indebtedness of Ferrellgas Partners and its subsidiaries for such period, whether paid or accrued or otherwise allocated, to the extent any such expense was deducted in computing such consolidated net income, plus (iii) depreciation, amortization and other non-cash expenses of Ferrellgas Partners and its subsidiaries for such period (excluding any such non-cash expenses to the extent it represents an accrual or reserve for cash expenses in any future period or amortization of a prepaid cash expense paid in a prior period) to the extent any such expense was deducted in computing such consolidated net income, and plus (vii) any non-cash employee compensation or benefit expenses to the extent that such expenses were deducted in computing consolidated net income for such period.

Discretionary Bonus. At the sole discretion of the Board of Directors of FCI an additional bonus may be paid to the Executive of up to 12.5% of the Base Salary based upon the Executive's performance with respect to FGI's "Management by Objective" program (the "Discretionary Bonus"). Failure of the Board of Directors of FCI to award any such Discretionary Bonus shall not give rise to any claim against the Companies. The amount, if any, and timing of such bonus, shall be determined by the Board of Directors of FCI in its sole discretion.

Benefit Plans. During the Employment Period and as otherwise provided herein, the Executive shall be entitled to participate in any and all employee welfare and health benefit plans (including, but not limited to life insurance, health and medical, dental, and disability plans) and other employee benefit plans (including, but not limited to qualified pension plans and FCI stock incentive plans), established by the Companies from time to time for the benefit of executive employees of the Companies. Such employee benefit plans in which the Executive shall be entitled to participate on the date hereof shall include those listed on Schedule 5 hereof. The Executive shall be required to comply with the conditions attendant to coverage by such plans and shall comply with and, except as otherwise provided herein, shall be entitled to benefits only in

accordance with the terms and conditions of such plans as they may be amended from time to time. Nothing herein contained shall be construed as requiring the Companies to establish or continue any particular benefit plan in discharge of their obligations under this Agreement.

Other Benefits and Reimbursements.

During the Employment Period, the Executive shall be entitled to not less than four (4) weeks of paid vacation each year of his employment hereunder, which shall accumulate if not used in any given year. Pursuant to the provisions of this Agreement, vacation time earned but unused shall be paid to the Executive upon termination of this Agreement.

During the Employment Period, the Executive shall be entitled to such other employment benefits extended or provided to other key executives of the Companies, including, but not limited to, payment or reimbursement of all business expenses incurred by the Executive in the performance of his duties and other job related activities set forth in this Agreement or subsequently agreed to by the parties and in the promotion of the Business in accordance with the Companies customary policies and procedures. The Executive shall submit to the Companies periodic statements of all expenses so incurred. Subject to such audits as the Companies may deem necessary, the Companies shall reimburse the Executive the full amount of any such expenses advanced by him in the ordinary course of business.

The Executive shall be entitled to reimbursement of reasonable expenses incurred by Executive in connection with the negotiation of this Agreement, which shall be paid to Executive upon submission to the Companies of proper vouchers evidencing such expenses and the purposes for which the same were incurred.

During the Employment Period, the Companies shall permit the Executive to retain membership in the Young Presidents Organization and the Civic Council and shall pay the costs of such membership; provided, however, that such involvement and participation does not involve management or participation in day-to-day activities thereof and does not detract from the performance by the Executive of his duties to the Companies pursuant hereto.

The Board of Directors of the Companies may, in their sole discretion, approve additional bonuses or benefits to be offered to the Executive at including but not limited to, the carryover of earned but unused vacation, such time as they deem appropriate.

Deductions from Salary and Benefits. The Companies, as applicable, shall withhold from any compensation, bonus or benefits payable to the Executive all customary federal, state, local and other withholdings, including, without limitation, federal and state withholding taxes, social security taxes and state disability insurance.

Death or Disability.

In the event of the death or termination of employment due to permanent disability of the Executive during the Employment Period ("Triggering Event"), (1) all sums payable to the Executive under this Agreement (including salary and bonuses) through the end of the second month following the month in which the Triggering Event occurs, (2) credit for any vacation earned by the Executive but not taken at the time of Triggering Event, (3) all other amounts earned by the Executive and unpaid as of the time of the Triggering Event, and (4) a cash, lump-sum amount equal to three (3) times the greater of (i) 125% of the then current Base Salary, or (ii) the average compensation (Base Salary plus Performance Bonus and Discretionary Bonus) paid for the prior three (3) fiscal years shall be paid to the Executive or the Executive's estate (or guardian, as the case may be) as soon as practicable after the Triggering Event occurs or is determined. In addition, if such termination occurs after the third month of the Companies' then fiscal year, sums payable to the Executive shall include a pro rata portion of any amounts to which the Executive would have otherwise been entitled for the year in which such event occurs under any Company perquisite to which Executive is a participant. For purposes of calculating any bonus to be paid to the Executive pursuant to this Section 8(a), the Executive shall be entitled to the payment of any bonus normally calculated with reference to a future period based upon a percentage of the amount paid for such item in the previous fiscal year; such percentage to be calculated by dividing the number of days of his employment during the Companies' then current fiscal year by the number 365.

For purposes of this Agreement, "permanent disability" means any mental as well as physical condition which entitles the Executive to disability benefits under the Companies' long-term disability plan.

Termination by the Companies. The Companies may terminate Executive's employment under this Agreement upon at least sixty (60) calendar days ("Notice Period") written notice ("Notice") to the Executive of their intent to terminate Executive's employment:

without Cause (as defined in subsection (b) hereof). The Notice shall specify that such Termination is without Cause, and upon the expiration of the Notice Period, the Companies shall pay the Executive the payments and provide him the benefits specified in Section 8(a) hereof (the expiration of the notice period pursuant to this Section 9(a) shall be considered a "Triggering Event" with respect thereto).

for good Cause (as defined below). The Notice shall specify the particulars of such Cause and shall afford the Executive an opportunity to discuss the particulars of such Cause with the Board of Directors of FCI and to cure such Cause. If such Cause shall not be cured accordingly, Executive's employment shall terminate upon expiration of the Notice Period and no compensation shall be due to the Executive beyond the date of such termination (other than pursuant to pension or other plans which by their terms provide payments beyond the date

of termination in such circumstances, including but not limited to, the Ferrell Companies Inc. Employee Stock Ownership Plan, the Companies' non-qualified deferred compensation plan and vacation earned but not taken). For purposes of this Agreement "Cause" means: (i) the conviction of Executive by a court of competent jurisdiction of, or entry of a plea of nolo contendere with respect to, a felony or any other crime, which other crime involves fraud, dishonesty or moral turpitude which interferes with the performance of Executive's duties, responsibilities or obligations under this Agreement; (ii) fraud or embezzlement related to either of the Companies on the part of Executive; (iii) Executive's chronic abuse of or dependency on alcohol or drugs (illicit or otherwise) which materially interferes with the performance of Executive's duties, responsibilities or obligations under this Agreement; (iv) the material breach by Executive of Sections 15, 16 or 17 hereof, except as permitted pursuant to Section 11 hereof; (v) any act of moral turpitude or willful misconduct by Executive which (A) results in personal enrichment of Executive at the expense of the Companies, or (B) may have a material adverse impact on the Business or reputation of the Companies; (vi) gross and willful neglect of material duties and responsibilities of the Executive pursuant hereto, or an intentional violation of a material term of this Agreement; (vii) any material violation of any statutory or common law fiduciary duty of Executive to FCI or FGI; or (viii) failure by the Executive to comply with a material Company policy, as reasonably determined by the Board of Directors of FCI.

Termination by the Executive. The Executive may terminate his employment under this Agreement upon at least sixty (60) calendar days' ("Executive Notice Period") written notice ("Executive Notice") to the Companies of such termination:

without Cause, upon expiration of the Executive Notice Period, in which event no compensation shall be due him beyond the date of such termination (other than pursuant to pension or other plans which by their terms provide payment beyond the date of termination, including but not limited to, the Ferrell Companies, Inc. Employee Stock Plan, the Companies' non-qualified deferred compensation plan and vacation earned but not taken); or

for Executive Cause. The Executive Notice shall specify the particulars of such Executive Cause and during the Executive Notice Period, the Executive shall afford the Board of Directors of FCI an opportunity to discuss the particulars of such Executive Cause with the Executive and to cure such Executive Cause to the satisfaction of the Executive during the Executive Notice Period. If such Executive Cause shall not be cured accordingly, Executive's employment shall terminate upon expiration of the Executive Notice Period. In all events, Executive shall be paid all payments and benefits due him during the Employment Period (and thereafter as specified in Section 8(a) hereof (expiration of the Executive Notice Period shall be considered a "Triggering Event" for such purpose)). "Executive Cause" means any of the following to which the Executive does not agree: (i) assignment to the Executive of duties or responsibilities, or the material diminution of duties or responsibilities, that are inconsistent with his position, duties, responsibilities or status as they exist at the commencement of the term of this Agreement; (ii) material change in the reporting responsibilities of the Executive; provided, however, that, notwithstanding the effect of changes on the Board under Section 11 hereof, changes in the identity of persons on the Board shall not be considered a change in reporting responsibilities for purposes of this Section, or (iii) a breach of any material provision of this Agreement by the Companies.

Effect of Certain Terminations; Change in Control. If (a) any Company or Partnership merges with or is consolidated into another corporation or other entity not theretofore affiliated with any Company or Partnership (i.e., controlled by, controlling or under common control with the Companies or the Partnerships, as applicable) and the Company or Partnership so merging or consolidating is not the surviving entity pursuant to such merger or consolidation, or if all or substantially all of the assets of any Company or Partnership are acquired by another corporation or other entity not theretofore affiliated with either Company or Partnership in a single transaction, or a series of related transactions, and a majority of the then current Board of Directors of the Companies does not control the entity that has made such acquisition, changes within a 12-month period, or if FGI is no longer the general partner of the Partnerships, or if eitherCompany registers a class of equity securities under the Securities and Exchange Act of 1934 (all such events being referred to herein as "Change in Control"), and (b) within eighteen (18) months after any such Change in Control the Executive's employment under this Agreement is terminated, then upon such termination or occurence (i) the Companies shall pay the Executive a cash, lump-sum termination benefit not later than thirty (30) calendar days after such termination equal to three (3) times the greatest of 125% of (A) his then current Base Salary, (B) the average compensation (Base Salary plus Performance Bonus and Discretionary Bonus) paid for the prior three (3) fiscal years prior to such termination, or (C) the total compensation remaining for the Initial Period, if such Change of Control occurs during the Initial Period, (ii) the Companies shall pay the Executive for any vacation earned by the Executive but not taken and any other amounts earned but unpaid, (iii) if such termination occurs after the third month of the then current fiscal year, the Companies shall pay the Executive a pro rata portion (such proration shall be on the basis that the number of months of his employment during the Companies' then current fiscal year bears to the number 12, considering the month of termination as a month of full employment, and in the case of any plan measured over a full year, such determination and payment shall be made after the close of such year) of any amounts to which he would have otherwise been entitled under any Company perquisite to which Executive is a participant (iv) the Companies shall continue the Executive's health, accident and life insurance benefits for the COBRA period of eighteen (18) months after the month in which such termination occurs, and (v) Section 17 hereof shall terminate and be of no effect. For purposes of calculating any bonus to be paid to the Executive pursuant to this Section 11, the Executive shall be entitled to the payment of any bonus normally calculated with reference to a future period based upon the total amount paid for such bonus in the three (3) previous fiscal years.

Mitigation or Reduction of Benefits. Executive shall not be required to mitigate or reduce the amount of any payment upon termination provided for herein by seeking other employment or otherwise nor, except as otherwise specifically set forth herein, shall the amount of any payment or benefits provided upon termination be reduced by any compensation or other amounts paid to or earned by Executive as the result of employment by another employer after such termination or otherwise.

Certain Additional Payments by the Companies.

a) Notwithstanding anything in this Agreement to the contrary and except as set forth below, in the event it shall be determined that any payment or distribution by the Companies to or for the benefit of the Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, but determined without regard to any additional payments required under this Section) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code"), or any interest or penalties are incurred by the Executive with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), then the Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by the Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments.

b) Subject to the provisions of Section 13(c), all determinations required to be made under this Section 13, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by certified public accounting firm as may be designated by the Executive (the "Accounting Firm") which shall provide detailed supporting calculations both to the Companies and the Executive within fifteen (15) business days of the receipt of notice from the Executive that there has been a Payment, or such earlier time as is requested by the Companies. In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity or group effecting a Change of Control, the Executive shall appoint another nationally recognized accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All fees and expenses of the Accounting Firm shall be borne solely by the Companies. Any Gross-Up Payment, as determined pursuant to this Section 13, shall be paid by the Companies to the Executive within five (5) calendar days of the receipt of the Accounting Firm's determination. Any determination by the Accounting Firm shall be binding upon the Companies and the Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Companies should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event that the Companies exhaust their remedies pursuant to Section 13(c) and the Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Companies to or for the benefit of the Executive.

c) The Executive shall notify the Companies in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Companies of the Gross-Up Payment. Such notification shall be given as soon as practicable but no later than ten (10) business days after the Executive is informed in writing of such claim and shall apprise the Companies of the nature of such claim and the date on which such claim is requested to be paid. The Executive shall not pay such claim prior to the expiration of the 30-day period following the date on which the Executive gives such notice to the Companies (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Companies notify the Executive in writing prior to the expiration of such period that it desires to contest such claim, the Executive shall:

(1) give the Companies any information reasonably requested by the Companies relating to such claim,

(2) take such action in connection with contesting such claim as the Companies shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Companies,

(3) cooperate with the Companies in good faith in order to effectively contest such claim, and

(4) permit the Companies to participate in any proceedings relating to such claim;

provided, however, that the Companies shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or

income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Section 13(c), the Companies shall control all proceedings taken in connection with such contest and, at their sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at their sole option, either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Companies shall determine; provided, however, that if the Companies direct the Executive to pay such claim and sue for a refund, the Companies shall advance the amount of such payment to the Executive, on an interest-free basis and shall indemnify and hold Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Companies' control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

d) If, after the receipt by the Executive of an amount advanced by the Companies pursuant to Section 13(c), the Executive becomes entitled to receive any refund with respect to such claim, the Executive shall (subject to the Companies' complying with the requirements of Section 13(c)) promptly pay to the Companies the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Executive of an amount advanced by the Companies pursuant to Section 13(c), a determination is made that the Executive shall not be entitled to any refund with respect to such claim and the Companies do not notify the Executive in writing of their intent to contest such denial of refund prior to the expiration of thirty (30) calendar days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

Indemnification. The Companies shall indemnify the Executive to the fullest extent permitted by law against any liability he incurs, or which is threatened against him, during or after termination of his employment, by reason of the fact that he is or was a director, officer, employee or agent of the Companies, or is or was serving at the request of the Companies as a director, officer, employee or agent of another corporation or other entity. In providing such indemnification, and in addition to and not in lieu of its general obligations to indemnify the Executive, the Companies shall reimburse the Executive upon demand for all reasonable expenses and payments incurred or made by the Executive relating to any matter for such indemnification hereunder is due.

15. Confidential Information. The Executive acknowledges that the information, observations and data (whether in human or machine readable form) obtained by him while employed by the Companies concerning the business or affairs of the Companies, a Partnership, or any other affiliate, including any information pertaining to the Business which is not generally known in the propane industry, including, but not limited to, trade secrets, internal processes, designs, design information, products, test data, research and development plans and activities, equipment modifications, techniques, software and computer programs and derivative works, business and marketing plans, projections, sales data and reports, confidential evaluations, compilations and/or analyses of technical or business information, profit margins, customer requirements, costs, profitability, sales and marketing strategies, pricing policies, strategic plans, training materials, internal financial information, operating and financial data and projections, names and addresses of customers, inventory lists, sources of supplies, supply lists, employee lists, mailing lists, and information concerning relationships between the Companies or a Partnership and their employees or customers which gives or may give the Companies or the Partnerships an advantage over competitors ("Confidential Information") are the property of the Companies, the Partnership or such other affiliate, as applicable. Therefore, Executive agrees that he shall not use any Confidential Information other than in connection with performing the Executive's services for or on behalf of the Companies, or disclose to any unauthorized person or use for his own account any Confidential Information without the prior written consent of the Board of the Companies, unless and to the extent that the aforementioned matters become generally known to and available for use by the public other than as a result of Executive's acts or omissions to act. Executive shall deliver to the Companies at the termination of Executive's employment, or at any other time the Companies may request, all memoranda, notes, plans, records, reports, computer tapes and software and other documents and data (and copies thereof) relating to the Confidential Information, Work Product (as defined below) and the Business which he may then possess or have under his control. The Companies and the Executive acknowledge that: (a) the Confidential Information is commercially and competitively valuable to the Companies and their affiliates; (b) the unauthorized use or disclosure of the Confidential Information would cause irreparable harm to the Companies and their affiliates; (c) the Companies have taken and are taking all reasonable measures to protect their legitimate interest in the Confidential Information, including, without limitation, affirmative action to safeguard the confidentiality of such Confidential Information; (d) the restrictions on the activities in which Executive may engage set forth in this Agreement, and the periods of time for which such restrictions apply, are reasonably necessary in

order to protect each Company's legitimate interests in its Confidential Information; and (e) nothing herein shall prohibit the Companies from pursuing any remedies, whether in law or equity, available to the Companies for breach or threatened breach of this Agreement, including the recovery of damages from Executive.

16. Inventions and Patents. Executive agrees that all inventions, innovations, improvements, developments, methods, designs, analyses, drawings, reports, and all similar or related information which related or relates to the Companies' actual or anticipated business (to the extent the Executive is aware thereof), research and development or existing or future products or services and which are conceived, developed or made by Executive while employed by the Companies or any of their affiliates (whether prior to or during the Employment Period) ("Work Product") belong to the Companies or such other affiliate, and Executive hereby assigns to the Companies his entire right, title and interest in any such Work Product. Executive will promptly disclose such Work Product to the Board of the Companies and perform all actions reasonably requested by the Board of the Companies (whether during or after Executive's employment period) to establish and confirm such ownership (including, without limitation, assignments, consents, powers of attorney and other instruments).

Noncompete; Nonsolicitation.

Executive acknowledges that in the course of his employment with the Companies he will become familiar with Confidential Information and that his services will be of special, unique and extraordinary value to the Companies. Therefore, Executive agrees that, during the time he is employed by the Companies pursuant hereto and thereafter for the period of time of two (2) years (the "Noncompete Period"), Executive shall not directly or indirectly own, manage, control, or engage in any business with any person (including by himself or in association with any person, firm, corporate or other business organization or through any other entity) whose business is substantially similar to the business of the Companies, as such business exists or is in process on the date of the termination of Executive's employment, within any geographical area in which the Companies are engaged in business on the date of the termination of Executive's employment.

Nothing herein shall prohibit Executive from being a passive owner of not more than 2% of the outstanding stock of a corporation which is publicly traded, so long as Executive has no active participation in the business of such corporation.

During the Noncompete Period, Executive shall not directly or indirectly through another entity (i) induce or attempt to induce any employee of the Companies or any affiliate of the Companies to leave the employ of the Companies or such affiliate, or in any way interfere with the relationship between the Companies and any employee thereof, (ii) hire any person who was an employee of the Companies at any time within the six-month period prior to the date of termination of Executive's employment with the Companies or any affiliate thereof, or (iii) induce or attempt to induce any customer, supplier, licensee, licensor, franchisee, franchisor or other business relation of the Companies or any affiliate to cease doing business with the Companies or such affiliate, or in any way interfere with the relationship between any such customer, supplier, licensee, licensor, franchisee, franchisor or business relation and the Companies or any affiliate thereof.

The Companies and the Executive agree that: (i) the covenants set forth in this Section 17 are reasonable in geographical and temporal scope and in all other respects, (ii) the Companies would not have entered into this Agreement but for the covenants of Executive contained herein, and (iii) the covenants contained herein have been made in order to induce the Companies to enter into this Agreement.

If, at the time of enforcement of this Section 17, a court or arbiter shall hold that the duration, scope or area restrictions stated herein are unreasonable under circumstances then existing, the parties agree that the maximum duration, scope or area reasonable under such circumstances shall be substituted for the stated duration, scope or area and that the court shall be allowed to revise the restrictions contained herein to cover the maximum period, scope and area permitted by law.

Companies' Right to Injunctive Relief, Tolling. In the event of a breach or threatened breach of any of the Executive's duties and obligations under the terms and provisions of Sections 15, 16 or 17 hereof, the Companies shall be entitled, in addition to any other legal or equitable remedies it may have in connection therewith (including any right to damages that it may suffer), to temporary, preliminary, and permanent injunctive relief restraining such breach or threatened breach. The Executive hereby expressly acknowledges that the harm which might result to the Business as a result of any noncompliance by the Executive with any of the provisions of Sections 15, 16 or 17 hereof would be largely irreparable.

Judicial Enforcement. If any provision of this Agreement is adjudicated to be
invalid or unenforceable under applicable law in any jurisdiction, the validity or enforceability of the remaining provisions thereof shall be unaffected as to such jurisdiction and such adjudication shall not affect the validity or enforceability of such provisions in any other jurisdiction. To the extent that any provision of this Agreement is adjudicated to be invalid or unenforceable because it is overbroad, that provision shall not be void but rather shall be limited only to the extent required by applicable law and enforced as so limited. The parties expressly acknowledge and agree that this Section is reasonable in view of the parties' respective interests.

Executive Warranties and Representations. The Executive warrants and represents that the execution and delivery of the Agreement and the Executive's employment with the Companies do not violate any previous employment agreement

or other contractual obligation of the Executive.

Payments to Executive. For the avoidance of doubt, while the Companies are jointly and severally liable for payments due to the Executive hereunder nothing herein shall be construed to entitle the Executive to duplicate compensation or benefits to be paid by both of FCI and FGI pursuant hereto. Payments due to the Executive by the Companies shall be paid by FCI and/or FGI as determined appropriate by the Board of Directors of FCI.

Covenants. The Companies hereby covenant unless the Executives employment is terminated for good cause pursuant to Section 9 (a) hereof, they shall ensure that during the Employment Period, (i) the Executive is elected to the Board of Directors of the Companies, (ii) the Executive, James E. Ferrell and Elizabeth Solberg are elected as the Plan Administrator as defined in and pursuant to, the Ferrell Companies, Inc. Employee Stock Ownership Plan, and that they are and they each remain, for so long as they are directors of the Company, the only members thereof and (iii) the Plan Administrator directs the Trustee that the Executive is elected to the Board of the Companies. The Trustee, subject to compliance with applicable ERISA regulations, hereby covenants to vote the capital of the Ferrell Companies Inc. Employee Stock Ownership Trust to elect the Executive to the Board of the Companies, during the Employment Period. In the event of a breach or threatened breach of this Section 22, the Executive shall be entitled, in addition to any other legal or equitable remedies he may have in connection therewith (including any right to damages that he may suffer), to temporary, preliminary, and permanent injunctive relief restraining such breach or threatened breach.

Survival. The provisions of this Agreement, except as otherwise provided herein, shall continue in full force in accordance with their terms notwithstanding any termination of Executive's employment by the Companies.

Right to Recover Costs and Fees. The Executive and the Companies undertake and agree that if either the Executive or the Companies breach or threaten to breach this Agreement (the "Breaching Party"), the Breaching Party shall be liable for any attorneys' fees and costs incurred by the non-Breaching Party in enforcing the non-Breaching Party's rights hereunder.

Entire Agreement, Amendments and Modifications. This Agreement constitutes the entire agreement and understanding of the parties regarding the employment of Executive by the Companies and supersedes all prior agreements and understandings between the Executive and the Companies to the extent that any such agreements or understandings conflict with the terms of this Agreement, including that certain Employee Agreement between FGI and the Executive dated as of March 23, 1998. No modification, amendment or waiver of any of the provisions of this Agreement shall be effective unless in writing specifically referring hereto, and signed by the parties hereto.

Assignments. This Agreement shall be freely assignable by the Companies to, and shall inure to the benefit of and be binding upon, their successors and assigns and/or any other entity which shall succeed to the business presently being conducted by the Companies. Being a contract for personal services, neither this Agreement nor any rights hereunder shall be assigned by the Executive.

Choice of Forum; Governing Law. In light of the Companies' substantial contacts with the State of Missouri, the parties' interests in ensuring that disputes regarding the interpretation, validity, and enforceability of this Agreement are resolved on a uniform basis, and the Companies execution of, and the making of, this Agreement in Missouri, the parties agree that: (i) any litigation involving any noncompliance with or breach of the Agreement, or regarding the interpretation, validity and/or enforceability of the Agreement, shall be filed and conducted in the state or federal courts in the State of Missouri; and (ii) the Agreement shall be interpreted in accordance with and governed by the laws of the State of Missouri, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of Missouri or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Missouri.

Headings and Interpretation. Section headings are provided in this Agreement for convenience only and shall not be deemed to substantively alter the content of such sections. Whenever the words "include", "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation". References to the singular or plural tense of a word shall also include the plural or singular as the context may require.

Neutral Construction. Each party acknowledges that in the negotiation and drafting of this Agreement, they have been represented by and relied upon the advice of counsel of their choice. The parties affirm that they and their counsel have had a substantial role in such negotiation and drafting and, therefore, the parties agree that this Agreement shall be deemed to have been drafted by all the parties hereto and the rule of construction to the effect that any contract ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement or any exhibit hereto.

Notices. Any notice, request, consent or communication (collectively, a "Notice") under this Agreement shall be effective only if it is in writing and (i) personally delivered with written receipt thereof, (ii) sent by certified or registered mail, return receipt requested, postage prepaid or (iii) sent by a nationally recognized overnight delivery service, with delivery confirmed, addressed as follows (or at such other address for a party as shall be specified by like notice):

(a)	If to the Executive, to:	Mr. Danley K. Sheldon 421 N.W. Briarcliff Parkway Kansas City, Missouri 64116
(b)	With a copy to:	Bryan Cave LLP

		One Kansas City Place 1200 Main Street Kansas City, MO 64105 Attn: John M. Edgar, Esq.
(c)	If to FCI, to:	Ferrell Companies, Inc. One Liberty Plaza Liberty, Missouri 64068 Attention: Mr. James E. Ferrell
(d)	If to FGI, to:	Ferrellgas, Inc. One Liberty Plaza Liberty, Missouri 64068 Attention: Mr. James E. Ferrell
(e)	If to the Trustee, to:	LaSalle National Bank Trust & Asset Management 125 S. LaSalle, 17th Floor Chicago, Illinois 60603 Attn: Mr. E. Vaughn Gordy
(f)	With a copy to:	McDermott, Will & Emery 227 West Monroe Street Chicago, Illinois 60606-5096 Attn: William W. Merten, Esq.

A Notice shall be deemed to have been given as of the date when (i) personally delivered as indicated by date of receipt, (ii) five (5) days after the date when deposited with the United States certified mail, return receipt requested, properly addressed, or (iii) when receipt of a Notice sent by an overnight delivery service is confirmed by such overnight delivery service, as the case may be, unless the sending party has actual knowledge that a Notice was not received by the intended recipient.

32. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and together shall constitute one and the same Agreement.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the day and year first above written.

FERRELL COMPANIES, INC.	EXECUTIVE
By: /s/ Kevin T. Kelly - ---------- Kevin T. Kelly Vice President	/s/ Danley K. Sheldon ---------- Danley K. Sheldon
FERRELLGAS, INC.	TRUSTEE
By: /s/ Kenneth A. Heinz - ---------- Kenneth A. Heinz Assistant Secretary	By: /s/ E. Vaughn Gordy ---------- E. Vaughn Gordy, on behalf of LaSalle National Bank, solely as Trustee of the Ferrell Companies Inc. Employee Stock Ownership Trust, and not in Mr. Gordy's individual capacity or LaSalle National Bank's corporate capacity.

PLEASE NOTE: BY SIGNING THIS AGREEMENT, EXECUTIVE IS HEREBY CERTIFYING THAT EXECUTIVE (A) HAS RECEIVED A COPY OF THIS AGREEMENT FOR REVIEW AND STUDY BEFORE EXECUTING IT; (B) HAS READ THIS AGREEMENT CAREFULLY BEFORE SIGNING IT; (C) HAS HAD SUFFICIENT OPPORTUNITY BEFORE SIGNING THE AGREEMENT TO ASK ANY QUESTIONS EXECUTIVE HAS ABOUT THE AGREEMENT AND HAS RECEIVED SATISFACTORY ANSWERS TO ALL SUCH QUESTIONS; AND (D) UNDERSTANDS EXECUTIVE'S RIGHTS AND OBLIGATIONS UNDER THE AGREEMENT.

Schedule 5

Employee Benefit Plans

The following is a listing of the benefit plans available to Dan Sheldon:

1998 Ferrell Companies, Inc. Stock Incentive Plan.

Ferrell Companies, Inc. Employee Stock Plan.

Comprehensive medical plan.

Dental plan.

Vision plan.

Short-term disability plan.

Long-term disability plan.

Employee life insurance - maximum of $500,000.

Dependent life insurance.

Accidental death and disability - maximum of $300,000.

401(k) plan - maximum employee contribution of 15%; employer match of 50% of first 8% of employee contribution. Maximum contributions subject to statutory limitations.

Profit sharing plan - discretionary employer contribution to retirement plan. Contribution subject to statutory limitations.

Supplemental savings plan - non-qualified deferred compensation plan. Maximum contribution of 100% of earnings, subject to annual limitation. This plan provides the balance of the 4% match contemplated by the 401(k) plan for Employee's capped out of the 401(k) plan due to statutory limitations.

Exhibit 21.1

SUBSIDIARIES OF
FERRELLGAS PARTNERS, L.P.

Ferrellgas, L.P., a Delaware limited partnership
Ferrellgas Partners Finance Corp., a Delaware Corporation

SUBSIDIARIES OF
FERRELLGAS, L.P.

Ferrellgas Finance Corp., a Delaware Corporation

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Post-Effective Amendment No. 1 to Registration Statement No. 33-55185 of Ferrellgas Partners, L.P. on Form S-4 of our reports dated September 24, 1998, appearing in the Annual Report on Form 10-K of Ferrellgas Partners, L.P. for the year ended July 31, 1998.

We also consent to the incorporation by reference in Post-Effective Amendment No. 1 to Registration Statement No. 33-55185 of Ferrellgas Partners, L.P. on Form S-4 of our report on Ferrellgas Partners Finance Corp. dated September 24, 1998, appearing in the Annual Report on Form 10-K of Ferrellgas Partners, L.P. for the year ended July 31, 1998.

DELOITTE & TOUCHE LLP
Kansas City, Missouri
October 29, 1998

(THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM FERRELLGAS PARTNERS, L.P. AND SUBSIDIARY BALANCE SHEET ON JULY 31, 1998 AND THE STATEMENT OF EARNINGS ENDING JULY 31, 1998 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS)

0000922358
Ferrellgas Partners, L.P.
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(11,083)
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667,353
342,600
597,096
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49,129
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4,943
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4,943
.16
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(THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM FERRELLGAS PARTNERS FINANCE, CORP. BALANCE SHEET ON JULY 31, 1998 AND THE STATEMENT OF EARNINGS ENDING JULY 31, 1998 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS)

001012493
Ferrellgas Partners Finance, L.P.
1
U.S. Dollars

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