

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended October 31, 1999

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

-----  
(States or other jurisdictions of (I.R.S. Employer Identification Nos.)  
incorporation or organization)

One Liberty Plaza, Liberty, Missouri 64068

(Address of principal executive offices) (Zip Code)

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

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  No

At December 2, 1999, the registrants had units or shares outstanding as follows:

Ferrellgas Partners, L.P.	31,307,116	Common Units
Ferrellgas Partners Finance Corp.	1,000	Common Stock

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

Table of Contents

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Ferrellgas Partners, L.P. and Subsidiaries

Consolidated Balance Sheets - October 31, 1999 and July 31, 1999

Consolidated Statements of Earnings -  
Three months ended October 31, 1999 and 1998

Consolidated Statement of Partners' Capital -  
Three months ended October 31, 1999

Consolidated Statements of Cash Flows -  
Three months ended October 31, 1999 and 1998

Page

1

2

3

4

Ferrellgas Partners Finance Corp.

Balance Sheets - October 31, 1999 and July 31, 1999

8

Statements of Earnings - Three months ended October 31, 1999  
and 1998

8

Statements of Cash Flows - Three months ended October 31, 1999  
and 1998

9

Notes to Financial Statements

9

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND  
RESULTS OF OPERATIONS

10

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

14

PART II - OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

15

## PART I - FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

## FERRELLGAS PARTNERS, L.P. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS  
(in thousands, except unit data)

ASSETS	October 31, 1999	July 31, 1999
-----		
	(unaudited)	
Current Assets:		
Cash and cash equivalents	\$ 12,261	\$35,134
Accounts and notes receivable	84,563	58,380
Inventories	52,831	24,645
Prepaid expenses and other current assets	17,363	6,780
	-----	
Total Current Assets	167,018	124,939
Property, plant and equipment, net	405,450	405,292
Intangible assets, net	116,473	118,117
Other assets, net	8,340	8,397
	-----	
Total Assets	\$697,281	\$656,745
	=====	
LIABILITIES AND PARTNERS' CAPITAL		
-----		
Current Liabilities:		
Accounts payable	\$88,370	\$60,754
Other current liabilities	45,537	48,266
Short-term borrowings	55,965	20,486
	-----	
Total Current Liabilities	189,872	129,506
Long-term debt	593,081	583,840
Other liabilities	12,300	12,144
Contingencies and commitments	-	-
Minority interest	650	906
Partners' Capital:		
Common unitholders (31,307,116 and 14,710,765 units outstanding at October 31, 1999 and July 31, 1999, respectively)	(37,982)	1,215
Subordinated unitholders (0 and 16,593,721 units outstanding at October 31, 1999 and July 31, 1999, respectively)	-	(10,516)
General partner	(59,843)	(59,553)
Accumulated other comprehensive income	(797)	(797)
	-----	
Total Partners' Capital	(98,622)	(69,651)
	-----	
Total Liabilities and Partners' Capital	\$697,281	\$656,745
	=====	

See notes to consolidated financial statements.

FERRELLGAS PARTNERS, L.P. AND SUBSIDIARIES

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

	For the three months ended	
	October 31, 1999	October 31, 1998
Revenues:		
Gas liquids and related product sales	\$141,507	\$118,002
Other	21,232	12,337
Total revenues	162,739	130,339
Cost of product sold (exclusive of depreciation, shown separately below)	85,325	58,712
Gross profit	77,414	71,627
Operating expense	57,177	51,712
Depreciation and amortization expense	12,083	11,311
Employee stock ownership plan compensation charge	1,027	890
General and administrative expense	5,183	4,668
Equipment lease expense	3,853	2,968
Operating income (loss)	(1,909)	78
Interest expense	(12,581)	(11,618)
Interest income	258	158
Gain (loss) on disposal of assets	(96)	86
Loss before minority interest and extraordinary item	(14,328)	(11,296)
Minority interest	(106)	(75)
Loss before extraordinary item	(14,222)	(11,221)
Extraordinary loss on early extinguishment of debt, net of minority interest of \$130	-	(12,786)
Net loss	(14,222)	(24,007)
General partner's interest in net loss	(142)	(240)
Limited partners' interest in net loss	\$ (14,080)	\$ (23,767)
Loss per limited partner unit:		
Loss before extraordinary item	\$ (0.45)	\$ (0.35)
Extraordinary loss	-	(0.41)
Net loss	\$ (0.45)	\$ (0.76)
Loss per limited partner unit-assuming dilution:		
Loss before extraordinary item	\$ (0.45)	\$ (0.35)
Extraordinary loss	-	(0.41)
Net loss	\$ (0.45)	\$ (0.76)

See notes to consolidated financial statements.

FERRELLGAS PARTNERS, L.P. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF PARTNERS' CAPITAL  
(in thousands)  
(unaudited)

	Number of units		Common unitholders	Sub- ordinated unitholders	General partner	Accumulated other compre- hensive income	Total partners' capital
	Common unitholders	Sub- ordinated unitholders					
August 1, 1999	14,710.8	16,593.7	\$ 1,215	\$ (10,516)	\$ (59,553)	\$ (797)	\$ (69,651)
Conversion of subordinated units into common units	16,593.7	(16,593.7)	(10,516)	10,516	-	-	-
Common units issued in connection with acquisitions	2.6	-	45	-	-	-	45
Contribution from general partner in connection with ESOP compensation charge	-	-	1,007	-	10	-	1,017
Quarterly distributions	-	-	(15,653)	-	(158)	-	(15,811)
Comprehensive income: Net loss	-	-	(14,080)	-	(142)	-	(14,222)
Comprehensive income							(14,222)
October 31, 1999	31,307.1	0.0	\$ (37,982)	\$ 0	\$ (59,843)	\$ (797)	\$ (98,622)

See notes to consolidated financial statements.

FERRELLGAS PARTNERS, L.P. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS  
(in thousands)  
(unaudited)

	For the three months ended	
	October 31, 1999	October 31, 1998
Cash Flows From Operating Activities:		
Net loss	\$ (14,222)	\$ (24,007)
Reconciliation of net loss to net cash used in operating activities:		
Depreciation and amortization	12,083	11,311
Extraordinary loss, net of minority interest	-	12,786
Employee stock ownership plan compensation charge	1,027	890
Other	938	468
Changes in operating assets and liabilities net of effects from business acquisitions:		
Accounts and notes receivable	(26,542)	(10,951)
Inventories	(27,640)	(15,645)
Prepaid expenses and other current assets	(10,583)	(7,229)
Accounts payable	27,616	15,123
Other current liabilities	(2,959)	(2,679)
Other liabilities	157	(175)
Net cash used in operating activities	(40,125)	(20,108)
Cash Flows From Investing Activities:		
Business acquisitions	(6,527)	(17,844)
Capital expenditures	(6,205)	(7,124)
Other	1,468	983
Net cash used in investing activities	(11,264)	(23,985)
Cash Flows From Financing Activities:		
Net additions to short-term borrowings	35,479	27,541
Additions to long-term debt	10,223	370,719
Reductions of long-term debt	(1,214)	(336,090)
Cash paid for call premium and debt issuance costs	-	(12,528)
Distributions	(15,811)	(15,805)
Other	(161)	(161)
Net cash provided by financing activities	28,516	33,676
Decrease in cash and cash equivalents	(22,873)	(10,417)
Cash and cash equivalents - beginning of period	35,134	16,961
Cash and cash equivalents - end of period	\$12,261	\$6,544
Cash paid for interest	\$13,708	\$11,847

See notes to consolidated financial statements.

FERRELLGAS PARTNERS, L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

OCTOBER 31, 1999

(unaudited)

- A. The financial statements of Ferrellgas Partners, L.P. and Subsidiaries (the "Partnership") reflect all adjustments which are, in the opinion of management, necessary for a fair statement of the interim periods presented. All adjustments to the financial statements were of a normal, recurring nature. These financial statements should be read in conjunction with the financial statements and related notes included in our Annual Report on Form 10-K for the year ended July 31, 1999.
- B. 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.
- C. The propane industry is seasonal in nature with peak activity during the winter months. Therefore, the results of operations for the periods ended October 31, 1999 and October 31, 1998 are not necessarily indicative of the results to be expected for a full year.
- D. Inventories consist of:

(in thousands)	October 31, 1999	July 31, 1999
	-----	-----
Liquefied propane gas and related products	\$43,747	\$15,480
Appliances, parts and supplies	9,084	9,165
	-----	-----
	\$52,831	\$24,645
	=====	=====

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 date of delivery. All fixed price contracts have terms of less than one year. As of October 31, 1999, the Partnership had committed to take delivery of 43,329,000 gallons at a fixed price for its estimated future retail propane sales.

Property, plant and equipment, net consist of:

(in thousands)	October 31, 1999	July 31, 1999
	-----	-----
Property, plant and equipment	\$656,374	\$650,536
Less: accumulated depreciation	250,924	245,244
	-----	-----
	\$405,450	\$405,292
	=====	=====

Intangible assets, net consist of:

(in thousands)	October 31, 1999	July 31, 1999
	-----	-----
Intangible assets	\$259,977	\$257,390
Less: accumulated amortization	143,504	139,273
	-----	-----
	\$116,473	\$118,117
	=====	=====

E. 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 are made 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.

Distributions by the Partnership in an amount equal to 100% of its Available Cash will generally be made 98% to the Common 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. Common Units do not accrue arrearages.

F. Partners' Capital

Ferrellgas Partners, L.P. ("MLP") partners' capital consists of 31,307,116 Common Units representing the entire 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.

In a non-cash transaction, effective, August 1, 1999, the Subordination Period ended and the Subordinated Units converted to Common Units. Certain financial tests, which were primarily related to making the Minimum Quarterly Distribution on all Units, were satisfied for each of the three consecutive four quarter periods ending July 31, 1999.

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. The Partnership also maintains another shelf registration statement for the issuance of Common Units, Deferred Participation Units, Warrants and Debt Securities. The Partnership Agreement allows the General Partner to issue an unlimited number of additional Partnership general and limited 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.

G. 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.

H. On September 14, 1999, the Partnership paid a cash distribution of \$0.50 per Common and Subordinated Unit for the quarter ended July 31, 1999. On November 22, 1999, the Partnership declared its first-quarter cash distribution of \$0.50 per Common Unit, payable December 15, 1999.



I. Subsequent Events

On November 8, 1999, the Partnership announced that it had signed a definitive agreement to purchase Thermogas Company, a subsidiary of Williams, for total consideration of \$432,500,000. At closing the seller will receive \$257,500,000 cash and \$175,000,000 Senior Common Units. The closing of the transaction is subject to customary conditions, including regulatory approval.

Effective December 6, 1999, the Ferrellgas, L.P. (the "OLP") entered into with Banc of America, as investor, and First Security Bank, as lessor-trustee, a \$25,000,000 synthetic lease transaction involving a portion of the Partnership's customer tanks. The lease term extends over three and one-half years and may be extended for two additional one-year periods at the option of the OLP if such extension is approved by the lessor.

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

BALANCE SHEETS

ASSETS	October 31, 1999	July 31, 1999
	(unaudited)	
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	960	774
Accumulated deficit	(960)	(774)
Total Stockholder's Equity	\$1,000	\$1,000

STATEMENTS OF EARNINGS  
(unaudited)

	Three Months Ended	
	October 31, 1999	October 31, 1998
General and administrative expense	\$ 186	\$ 45
Net loss	\$(186)	\$(45)

See notes to financial statements.

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

STATEMENTS OF CASH FLOWS  
(unaudited)

	Three Months Ended	
	October 31, 1999	October 31, 1998
Cash Flows From Operating Activities:		
Net loss	\$ (186)	\$ (45)
Cash used in operating activities	(186)	(45)
Cash Flows From Financing Activities:		
Capital contribution	186	45
Cash provided by financing activities	186	45
Change in cash	-	-
Cash - beginning of period	1,000	1,000
Cash - end of period	\$1,000	\$1,000

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS  
OCTOBER 31, 1999  
(unaudited)

- A. Ferrellgas Partners Finance Corp., a Delaware corporation, was formed on March 28, 1996, and is a wholly-owned subsidiary of Ferrellgas Partners, L.P.
- B. The financial statements reflect all adjustments which are, in the opinion of management, necessary for a fair statement of the interim periods presented. All adjustments to the financial statements were of a normal, recurring nature.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is a discussion of the results of operations and liquidity and capital resources of Ferrellgas Partners, L.P. (the "Partnership" or "MLP"). Except for the \$160,000,000 of 9 3/8% Senior Secured Notes issued in April 1996 by the MLP and the related interest expense, Ferrellgas, L.P. (the "Operating Partnership" or "OLP") accounts for nearly all of the consolidated assets, liabilities, sales and earnings of the MLP. When the discussion refers to the consolidated MLP, the term Partnership will be used.

Ferrellgas Partners Finance Corp. has nominal assets and does not conduct any operations. Accordingly, a discussion of the results of operations and liquidity and capital resources is not presented.

Forward-looking statements

Statements included in this report that are not historical facts, including statements concerning Year 2000 compliance and the belief that the OLP will have sufficient funds to meet its obligations and to enable it to distribute to the MLP sufficient funds to permit the MLP to meet its obligations with respect to the MLP Senior Notes issued in April 1996, and sufficient funds to pay the Minimum Quarterly Distribution ("MQD") (\$0.50 per Unit) on all Common 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 and their effect on the Partnership's operations include but are not limited to the following: 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 of the Partnership's suppliers and j) other factors that are discussed in the Risk Factor section of the Partnership's most recent 1933 Act filing with the Securities and Exchange Commission, Amendment No. 1 to Form S-3 Registration Statement, as filed February 5, 1999.

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 (including related computer hardware), financial accounting and reporting system, supply and distribution accounting and operating system, payroll system, local and wide area networks and electronic mail systems. All these systems are now believed to be Year 2000 compliant.

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 separate company group to independently test these applications for Year 2000 compliance. To date, no material Year 2000 issues have been identified as a result of this testing.

There can be no assurance that every system in every location where Ferrellgas conducts business

will function properly on January 1, 2000. In addition, there are other Year 2000 risks which are beyond the Partnership's control, any of which if wide spread could have a material adverse affect on the Partnership's operations. Such risks include, but are not limited to, the failure of utility and telecommunications companies to provide service. For these reasons, the Partnership has developed a contingency plan should Year 2000 problems temporarily affect any of our locations. Each Ferrellgas location has been provided with a contingency plan that contains, among others, procedures to keep the Partnership's plants operational, to access emergency management personnel, and to utilize cellular phones.

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 has reviewed its largest suppliers, particularly liquid petroleum gas suppliers, to obtain appropriate assurances that they are, or will be, Year 2000 compliant. This review included general public disclosures made by the supplier, general questionnaires and direct contact with suppliers regarding specific facilities. While no supplier will provide assurances regarding Year 2000 compliance or the effect from external factors on their operations, our review has indicated suppliers are addressing Year 2000 issues. 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 incurred approximately \$930,000 to identify and correct its Year 2000 issues. This expense has been primarily related to its critical systems and applications. It is estimated that in the remaining calendar year 1999 the Partnership will incur an additional \$51,000 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 any Year 2000 issues will delay or eliminate other scheduled computer upgrades and replacements. Despite the Partnership's efforts to address and remediate the Year 2000 issue, there can be no assurance that all critical areas and non-critical applications will continue without interruption through January 1, 2000 and beyond.

#### Results of Operations

The propane industry is seasonal in nature with peak activity during the winter months. Due to the seasonality of the business, results of operations for the three months ended October 31, 1999 and 1998, are not necessarily indicative of the results to be expected for a full year. Other factors affecting the results of operations include competitive conditions, demand for product, variations in weather and fluctuations in propane prices. As the Partnership has grown through acquisitions, fixed costs such as personnel costs, depreciation and interest expense have increased. Historically, these fixed cost increases have caused net losses in the first and fourth quarters and net income in the second and third quarters to be more pronounced.

#### Three Months Ended October 31, 1999 vs. October 31, 1998

Total Revenues. Total gas liquids and related product sales increased 19.9% to \$141,507,000 as compared to \$118,002,000 in the first quarter of fiscal 1999, primarily due to increased sales price per gallon and increased retail propane volumes.

Sales price per gallon increased due to the effect of a significant increase in the wholesale cost of propane as compared to the prior period. Retail volumes increased 6.0% to 153,429,000 gallons as compared to 144,682,000 gallons for the prior period, primarily due to increased base business sales and the effect of acquisitions, partially offset by reduced crop drying volumes compared to the same quarter last year and hurricane related crop damage in the southeastern United States. Other revenues increased by \$8,895,000 primarily due to favorable trading revenues.

Gross Profit. Gross profit increased 8.1% to \$77,414,000 as compared to \$71,627,000 in the first quarter of fiscal 1999, primarily due to the favorable trading profits and increased retail sales volume, partially offset by reduced retail margins. Last year's margins benefited significantly from a low wholesale cost environment. This cost environment was not repeated this year. In addition, while the wholesale cost of propane rapidly increased during the quarter, the sales price lagged the cost increase.

Operating Expenses. Operating expenses increased 10.6% to \$57,177,000 as compared to \$51,712,000 in the first quarter of fiscal 1999 primarily due to trading operations, merit salary increases, and acquisition related increases in personnel costs, plant and office expenses, and vehicle and other expenses.

Equipment Lease Expense. Equipment lease expense, which includes vehicle, propane tank and computer lease expense, increased by \$885,000 primarily due to the utilization of operating lease financing to fund fleet upgrades and replacements.

Interest expense. Interest expense increased 8.3% to \$12,581,000 as compared to \$11,618,000 in the first quarter of fiscal 1999. This increase is primarily the result of increased borrowings related to acquisitions and capital expenditures.

Extraordinary item. During fiscal year 1999, the Partnership recognized an extraordinary loss of \$12,786,000 net of minority interest of \$130,000. The gross extraordinary loss included a payment of a 5% premium and a write-off of unamortized financing costs of \$2,916,000, resulting primarily from the early extinguishment of \$200,000,000 of its fixed rate senior notes. (see Financing Activities following).

#### 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, 2000, 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") and enable it to distribute the MQD on all Common Units.

The MLP Senior Secured Notes, the \$350,000,000 OLP senior notes ("Senior Notes"), the \$145,000,000 amended and restated OLP credit facility ("Credit Facility") and the \$38,000,000 additional OLP revolving credit agreement ("Additional Credit Facility") (See Financing Activities following) contain several financial tests which restrict the Partnership's ability to pay distributions, incur indebtedness and engage in certain other business transactions. 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 include, but are not limited to, the payment of the MQD to unitholders.

Although the MLP's financial performance during fiscal 1999 was adversely impacted by unseasonably warmer temperatures, the Partnership believes it will continue to meet the MLP Senior Secured Notes Restricted Payment test during fiscal 2000, in addition to meeting the other financial tests in the MLP Senior Secured Notes, Senior Notes, Credit Facility and Additional Credit Facility agreements. However, if the OLP 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.

In a non-cash transaction, on August 1, 1999, the subordination period ended and the Subordinated Units converted to Common Units. This conversion is more fully described in Note F of the Consolidated Financial Statements provided herein.

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 equity securities, including, among others, Common Units.

Toward this purpose, on February 5, 1999, the MLP filed a shelf registration statement with the Securities and Exchange Commission (the "Commission") for the periodic sale of up to \$300,000,000 in debt and/or equity securities. The registered securities would be available for sale by the Partnership in the future to fund acquisitions or to reduce indebtedness. Also, the MLP maintains a shelf registration statement with the Commission for 2,010,484 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 used in operating activities was \$40,125,000 for the three months ended October 31, 1999, compared to cash used in operating activities of \$20,108,000 for the prior period. This increased use of cash is primarily due to the net effect of increased wholesale cost of product on accounts receivable, inventory, and accounts payable and to a lesser extent the timing of receipts and payments related to trading activities.

Investing Activities. During the three months ended October 31, 1999, the Partnership made total acquisition capital expenditures of \$6,708,000. This amount was funded by \$6,527,000 cash payments, \$45,000 of Common Units issued and \$136,000 of other costs and consideration.

During the three months ended October 31, 1999, the Partnership made growth and maintenance capital expenditures of \$6,205,000 consisting primarily of the following: 1) additions to Partnership-owned customer tanks and cylinders, 2) relocating and upgrading district plant facilities, 3) vehicle lease buyouts, and 4) upgrading computer equipment and software. 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 meets its vehicle and transportation equipment fleet needs by leasing light and medium duty trucks and tractors. The General Partner believes vehicle leasing is a cost effective method for meeting the Partnership's transportation equipment needs. The Partnership continues seeking to expand 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.

On November 8, 1999, the Partnership announced that it had signed a definitive agreement to purchase Thermogas Company, a subsidiary of Williams, for total consideration of \$432,500,000. At closing the seller will receive \$257,500,000 cash and \$175,000,000 Senior Common Units. The closing of the transaction is subject to customary conditions, including regulatory approval. Other than future effects from the Thermogas acquisition, the Partnership does not have any material commitments of funds for capital expenditures other than to support the current level of operations. In fiscal 2000, the Partnership does expect an increase in growth and maintenance capital expenditures as compared to fiscal 1999 levels, primarily resulting from the Thermogas Company acquisition.

Financing Activities. On August 4, 1998, the OLP issued the privately placed unsecured Senior Notes and entered into a Credit Facility with its existing banks. The proceeds of the 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 issued in July 1994, including a 5% call premium, and to repay outstanding indebtedness under the former OLP revolving credit facility. The OLP entered the Additional Credit Facility agreement on April 30, 1999. This facility provides for an unsecured facility for acquisitions, capital expenditures, and general corporate purposes. The outstanding Additional Credit Facility balance at April 29, 2000, may be converted to a term loan and will be due and payable in full July 2, 2001.

During the three months ended October 31, 1999, the Partnership borrowed \$35,479,000 from its credit facilities to fund working capital, business acquisitions, and capital expenditure needs. At October 31, 1999, \$123,900,000 of borrowings were outstanding under the credit facilities. Letters of credit outstanding, used primarily to secure obligations under certain insurance arrangements, totaled \$23,665,000. At October 31, 1999, the Operating Partnership had \$35,435,000 available for general corporate, acquisition and working capital purposes under the credit facilities.

On November 22, 1999, the Partnership declared a cash distribution of \$0.50 per Common Unit, payable December 15, 1999.

Effective December 6, 1999, the OLP entered into with Banc of America, as investor, and First Security Bank, as lessor-trustee \$25,000,000 synthetic lease transaction involving a portion of the OLP customer tanks. The lease term extends over three and one-half years and may be extended for two additional one-year periods at the option of the OLP if such extension is approved by the lessor.

Adoption of New Accounting Standards. The Financial Accounting Standards Board ("FASB") recently issued Statement of Financial Accounting Standards No. 133 "Accounting for Derivative Instruments and Hedging Activities" ("SFAS No. 133"). SFAS No. 133, as amended by SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB Statement No. 133", is required to be adopted by the Partnership for the first quarter of fiscal 2001. The Partnership is currently assessing its impact on the Partnership's financial position, results of operations and cash flows.

### ITEM 3. 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. As of October 31, 1999, the Partnership had \$123,900,000 in variable rate debt and \$25,000,000 notional amount of interest rate collar agreements effectively outstanding. Thus, assuming a 100 basis point change increase 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 \$4,300,000 as of October 31, 1999. Actual results may differ.

## PART II - OTHER INFORMATION

### ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

#### (a) Exhibits

- 10.1 Lease Intended as Security, dated as of December 1, 1999 between Ferrellgas, LP as Lessee and First Security Bank, National Association, solely as Certificate Trustee, as Lessor
- 10.2 Participation Agreement, dated as of December 1, 1999, among Ferrellgas, L.P., as Lessee, Ferrellgas, Inc. as General Partner, First Security Bank, National Association, solely as Certificate Trustee, First Security Trust Company of Nevada, solely as Agent, The Persons Named on Schedule I-A, The Persons Named on Schedule I-B, as Lenders and Appendix I to Participation Agreement
- 10.3 Third Amendment to Second Amended and Restated Credit Agreement dated as of December 2, 1999, among Ferrellgas, L.P., Ferrellgas, Inc., Bank of America N.A. as agent, and the other financial institutions party thereto.
- 10.4 First Amendment to Short-Term Revolving Credit Agreement dated as of December 2, 1999, among Ferrellgas, L.P., Ferrellgas, Inc., Bank of America N.A., as agent, and the other financial institutions party thereto.
- 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)

#### (b) Reports on Form 8-K

The Partnership did not file a Form 8-K during the quarter ended October 31, 1999.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrants have 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)

Date: December 13, 1999

By /s/ Kevin T. Kelly

-----  
Kevin T. Kelly  
Vice President and Chief  
Financial Officer (Principal  
Financial and Accounting Officer)

FERRELLGAS PARTNERS FINANCE CORP.

Date: December 13, 1999

By /s/ Kevin T. Kelly

-----  
Kevin T. Kelly  
Chief Financial Officer (Principal  
Financial and Accounting Officer)

INDEX TO EXHIBITS

Exhibit No.	Description of Exhibit
10.1	Lease Intended as Security, dated as of December 1, 1999 between Ferrellgas, LP as Lessee and First Security Bank, National Association, solely as Certificate Trustee, as Lessor
10.2	Participation Agreement, dated as of December 1, 1999, among Ferrellgas, L.P., as Lessee, Ferrellgas, Inc. as General Partner, First Security Bank, National Association, solely as Certificate Trustee, First Security Trust Company of Nevada, solely as Agent, The Persons Named on Schedule I-A, The Persons Named on Schedule I-B, as Lenders and Appendix I to Participation Agreement
10.3	Third Amendment to Second Amended and Restated Credit Agreement dated as of December 2, 1999, among Ferrellgas, L.P., Ferrellgas, Inc., Bank of America N.A. as agent, and the other financial institutions party thereto.
10.4	First Amendment to Short-Term Revolving Credit Agreement dated as of December 2, 1999, among Ferrellgas, L.P., Ferrellgas, Inc., Bank of America N.A., as agent, and the other financial institutions party thereto.
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)

COUNTERPART NO. \_\_\_ OF \_\_\_ SERIALY NUMBERED MANUALLY EXECUTED COUNTERPARTS. TO THE EXTENT THAT THIS DOCUMENT CONSTITUTES CHATTEL PAPER UNDER THE UNIFORM COMMERCIAL CODE, NO SECURITY INTEREST IN THIS DOCUMENT MAY BE CREATED THROUGH THE TRANSFER AND POSSESSION OF ANY COUNTERPART OTHER THAN COUNTERPART NO. 1.

LEASE INTENDED AS SECURITY

(Ferrellgas, LP Trust No. 1999-A)

Dated as of December 1, 1999

between

FERRELLGAS, LP  
as Lessee

and

FIRST SECURITY BANK, NATIONAL ASSOCIATION,  
not in its individual capacity but solely as Certificate Trustee,  
as Lessor

TABLE OF CONTENTS

SECTION	HEADING	PAGE
Parties.....		1
ARTICLE I	DEFINITIONS.....	1
ARTICLE II	ACQUISITION AND LEASE; GENERAL PROVISIONS.....	1
Section 2.1	Acceptance and Lease.....	1
Section 2.2.	No Warranty.....	2
Section 2.3.	Legal and Tax Representation.....	2
Section 2.4.	Nature of Transaction.....	2
ARTICLE III	INTENTIONALLY RESERVED.....	3
ARTICLE IV	LEASE TERM, RENT AND PAYMENT.....	3
Section 4.1.	Lease Term.....	3
Section 4.2.	Basic Rent.....	3
Section 4.3.	Supplemental Rent.....	3
Section 4.4.	Method and Amount of Payment.....	4
Section 4.5.	Late Payment.....	4
Section 4.6.	Net Lease.....	4
ARTICLE V	POSSESSION, ASSIGNMENT, USE AND MAINTENANCE OF UNITS.....	5
Section 5.1.	Possession and Use of Units; Compliance with Laws.....	5
Section 5.2.	Subleases and Assignments.....	6
Section 5.3.	Maintenance.....	7
Section 5.4.	Alterations and Modifications.....	7
Section 5.5.	Legend; Inspection.....	9
Section 5.6.	Liens.....	9
Section 5.7.	Replacements and Substitutions.....	9
Section 5.8.	Equipment List.....	10
ARTICLE VI	RISK OF LOSS; INSURANCE.....	11
Section 6.1.	Casualty.....	11
Section 6.2.	Insurance Coverages.....	13
Section 6.3.	Insurance Certificates.....	14
ARTICLE VII	[INTENTIONALLY RESERVED].....	14
ARTICLE VIII	EVENTS OF DEFAULT; REMEDIES.....	14

Section 8.1.	Events of Default.....	14
Section 8.2.	Remedies.....	17
Section 8.3.	Sale of Lessee Collateral.....	18
Section 8.4.	Application of Proceeds.....	18
Section 8.5.	Right to Perform Obligations.....	18
Section 8.6.	Power of Attorney.....	19
Section 8.7.	Remedies Cumulative; Consents.....	19
Section 8.8.	Certain Financial Covenant Defaults.....	19
ARTICLE IX	LEASE TERMINATION.....	20
Section 9.1.	Lessee's Options.....	20
Section 9.2.	Election of Options.....	20
Section 9.3.	Sale Option Procedures.....	21
Section 9.4.	Appraisals.....	21
Section 9.5.	Early Termination.....	22
Section 9.6.	Designation of Purchaser.....	22
ARTICLE X	OWNERSHIP AND GRANT OF SECURITY INTEREST.....	23
Section 10.1.	Grant of Security Interest.....	23
Section 10.2.	Retention of Proceeds.....	23
ARTICLE XI	MISCELLANEOUS.....	23
Section 11.1.	Effect of Waiver.....	23
Section 11.2.	Survival of Covenants.....	23
Section 11.3.	Applicable Laws and Regulations.....	23
Section 11.4.	Notices.....	24
Section 11.5.	Amendment; Complete Agreements.....	24
Section 11.6.	Counterparts.....	24
Section 11.7.	Severability.....	24
Section 11.8.	Successors and Assigns.....	24
Section 11.9.	Captions; Table of Contents.....	24
Section 11.10.	Schedules and Exhibits.....	24
Section 11.11.	Liability of Lessor Limited.....	24
Section 11.12.	Successor Lessor.....	25
Signatures.....		26
Schedule I	Description of Units	
Schedule II	Amortization Schedule	

LEASE INTENDED AS SECURITY

This LEASE INTENDED AS SECURITY (as amended and supplemented from time to time, this "Lease") is entered into as of December 1, 1999 between FERRELLGAS, LP, a Delaware limited partnership ("Lessee"), with its principal office at One Liberty Plaza, Liberty, Missouri 64068 and FIRST SECURITY BANK, NATIONAL ASSOCIATION, a national banking association, not in its individual capacity but solely in its capacity as Certificate Trustee under the Trust Agreement ("Lessor"), with its principal office at 79 South Main Street, Salt Lake City, Utah 84111.

RECITALS:

WHEREAS, on the Delivery Date, Lessor will purchase from Lessee, and Lessee will transfer to Lessor, the propane tanks described on Schedule I hereto (together with any units that may be hereafter substituted for any thereof pursuant to Section 6.1 and subject to this Lease from time to time, being referred to collectively as the "Units" and individually as a "Unit") and other Acquired Property; and

WHEREAS, upon the transfer of the Acquired Property on the Delivery Date, Lessor will lease such Units to Lessee and Lessee will lease such Acquired Property from Lessor pursuant to the terms of this Lease, upon the terms and conditions hereinafter set forth; and

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

ARTICLE I  
DEFINITIONS

For all purposes hereof, the capitalized terms used herein and not otherwise defined shall have the meanings assigned thereto in Appendix 1 to that certain Participation Agreement dated as of even date herewith, among Lessee, Lessor, First Security Trust Company of Nevada, and the Participants identified therein (the "Participation Agreement"). All obligations imposed on "Lessee" in this Lease shall be the full recourse liability of Lessee.

ARTICLE II  
ACQUISITION AND LEASE; GENERAL PROVISIONS

Section 2.1. Acceptance and Lease. Lessor, subject to the satisfaction or waiver of the conditions set forth in Article III of the Participation Agreement, hereby agrees to accept delivery on the Delivery Date of title to the Acquired Property and to lease all of Lessor's interest in the Units to Lessee hereunder, and Lessee hereby agrees, expressly for the direct benefit of Lessor, to lease from Lessor for the Lease Term, Lessor's interest in the Acquired Property, such acceptance by Lessor and lease by Lessee to be evidenced by the execution and delivery by Lessee of an Acceptance Certificate.

Section 2.2. NO WARRANTY. THE ACQUIRED PROPERTY IS LEASED BY LESSOR "AS IS" IN THEIR PRESENT OR THEN CONDITION, AS THE CASE MAY BE, SUBJECT TO (i) ANY RIGHTS OF ANY PARTIES IN POSSESSION THEREOF, (ii) THE STATE OF TITLE THERETO EXISTING AT THE TIME LESSOR ACQUIRES ITS INTEREST IN THE ACQUIRED PROPERTY, (iii) ANY STATE OF FACT WHICH AN ACCURATE PHYSICAL INSPECTION MIGHT SHOW, AND LESSEE CONFIRMS THAT ITS EXECUTION AND DELIVERY OF THE ACCEPTANCE CERTIFICATE SHALL CONSTITUTE ITS CERTIFICATION THAT IT HAS INSPECTED AND ACCEPTS, AS BETWEEN LESSOR AND LESSEE, EACH UNIT WHICH IS THE SUBJECT MATTER THEREOF, (iv) ALL APPLICABLE LAWS AND REGULATIONS, AND (v) ANY VIOLATIONS OF APPLICABLE LAWS AND REGULATIONS WHICH MAY EXIST AT THE COMMENCEMENT OF THE LEASE TERM. LESSEE ACKNOWLEDGES AND AGREES THAT (a) EACH UNIT IS OF A SIZE, DESIGN, CAPACITY AND CONSTRUCTION SELECTED BY LESSEE, (b) LESSEE IS SATISFIED THAT THE SAME IS SUITABLE FOR ITS PURPOSES, (c) NEITHER LESSOR NOR AGENT NOR ANY PARTICIPANT IS A MANUFACTURER THEREOF OR A DEALER IN PROPERTY OF SUCH KIND, (d) NEITHER LESSOR NOR AGENT NOR ANY PARTICIPANT SHALL BE LIABLE FOR ANY LATENT, HIDDEN OR PATENT DEFECT IN ANY UNIT, OR THE FAILURE OF ANY UNIT TO COMPLY WITH APPLICABLE LAWS AND REGULATIONS AND (e) NEITHER LESSOR NOR AGENT NOR ANY PARTICIPANT HAS MADE, OR DOES OR WILL MAKE, (i) ANY REPRESENTATION OR WARRANTY OR COVENANT, WITH RESPECT TO THE TITLE, MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, CONDITION, QUALITY, DESCRIPTION, DURABILITY OR SUITABILITY OF ANY SUCH UNIT IN ANY RESPECT OR IN CONNECTION WITH OR FOR THE PURPOSES AND USES OF LESSEE OR (ii) ANY OTHER REPRESENTATION OR WARRANTY WHATSOEVER, EXPRESS OR IMPLIED, WITH RESPECT TO ANY ACQUIRED PROPERTY, IT BEING AGREED THAT, SUBJECT TO THE TERMS OF THIS LEASE, ALL RISKS, AS BETWEEN LESSOR, ON THE ONE HAND, AND LESSEE, ON THE OTHER HAND, SHALL BE BORNE BY LESSEE. Lessor assigns to Lessee, to the extent assignable, all of its interest, if any, in any warranties, covenants and representations of any manufacturer or vendor of any Unit; provided that such assignment shall be effective only when no Lease Event of Default has occurred and is continuing; and provided, further, that any action taken by Lessee by reason thereof shall be at the expense of Lessee and shall be consistent with Lessee's obligations pursuant to this Lease.

Section 2.3. Legal and Tax Representation. Lessee acknowledges and

agrees that neither Lessor, Arranger, any Participant nor Agent has made any representations and warranties concerning the tax, accounting or legal characteristics of this Lease and that Lessee has obtained and relied on such tax, accounting and legal advice regarding this Lease and the other Operative Documents as it deems appropriate.

Section 2.4. Nature of Transaction. It is the intent of the parties that: (a) the transaction contemplated hereby constitutes an operating lease from Lessor to Lessee for purposes of Lessee's financial reporting and record title to the Acquired Property shall at all times during the Lease Term remain in Lessor, (b) the transaction contemplated hereby preserves ownership in the Acquired Property to Lessee for all other purposes including Federal, state and local income tax, regulatory, bankruptcy and UCC and state commercial law purposes, (c) this Lease grants a Lien in the Acquired Property and the other Lessee Collateral to Lessor, and (d) this Lease shall be treated as the repayment and security provisions of a loan from Lessor to Lessee in the amount of the Purchase Price, and (e) all payments hereunder to Lessor shall be treated as payments of principal, interest and all other amounts with respect to such loan. Except as specifically provided for herein, Lessor shall retain title to the Units, free and clear of all Liens other than Permitted Liens, as security for the obligations of Lessee under the Operative Documents. Lessee shall not have any right, title or interest in the Acquired Property except as expressly set forth in this Lease. Each of the parties to this Lease agrees that it will not, nor will any Person controlled by it, or under common control with it, directly or indirectly, at any time take any action or fail to take any action with respect to the filing of any income tax return, including an amended income tax return, inconsistent with the intention of the parties expressed in this Section 2.4.

It is the intent of the parties hereto that the Units shall be and remain personal property and not a fixture notwithstanding the manner in which any Unit shall be attached or affixed to realty. The parties further agree that the Units shall constitute personal property for all purposes of the laws of each State where any Unit may be located. Lessee shall take no action with respect to the Units which would be inconsistent with such intent.

### ARTICLE III

[INTENTIONALLY RESERVED]

### ARTICLE IV LEASE TERM, RENT AND PAYMENT

Section 4.1. Lease Term. Unless earlier terminated pursuant to the terms hereof, the term of this Lease shall consist of (a) an interim period commencing on and including the Delivery Date and ending on but not including December 30, 1999 (the "Interim Term Expiration Date") and (b) a base period commencing on and including the Interim Term Expiration Date and ending on June 30, 2003 (collectively, the "Lease Term"). This Lease may be extended pursuant to and in accordance with Section 2.12 of the Participation Agreement and in the event of such extension, "Lease Term" shall mean the Lease Term as so extended.

Section 4.2. Basic Rent. During the Lease Term, Lessee shall pay to Lessor Basic Rent (i) on each Payment Date, (ii) on the date required under Section 9.3 in connection with Lessee's exercise of the Sale Option and (iii) on any date on which this Lease terminates or upon demand following a Lease Event of Default pursuant to Article XVII.

Section 4.3. Supplemental Rent. Lessee shall pay to Lessor, or to whomever shall be entitled thereto as expressly provided herein or in any other Operative Document (and Lessor hereby directs Lessee, on behalf of Lessor, to so pay any such other Person), any and all Supplemental Rent promptly as the same shall become due and payable (if the payment date therefor is specified in any Operative Document and otherwise within five (5) days after Lessee's receipt of written demand therefor) and, in the event of any failure on the part of Lessee to pay any Supplemental Rent, Lessor shall have all rights, powers and remedies provided for herein or by law or in equity or otherwise in the case of nonpayment of Basic Rent. The expiration or other termination of Lessee's obligations to pay Basic Rent hereunder shall not limit or modify the obligations of Lessee with respect to Supplemental Rent.

Section 4.4. Method and Amount of Payment. Basic Rent and Supplemental Rent shall be paid by wire transfer by Lessee to Lessor (or, in the case of Supplemental Rent, to such Person as may be entitled thereto) at such place as Lessor (or such other Person) shall specify in writing to Lessee pursuant to Schedule II to the Participation Agreement or Section 9.3 of the Participation Agreement; provided, however, that, so long as the Notes remain outstanding, Lessor directs Lessee to pay Basic Rent and Supplemental Rent payable to Lessor or any Participant directly to the Agent. Each payment of Rent shall be made by Lessee prior to 11:00 a.m. New York time (and payments made after such time shall be deemed to have been made on the next day) at the place of payment in funds consisting of lawful currency of the United States of America which (in the case of any amount payable to Lessor, Agent or any Participant or any other Indemnitee) shall be immediately available on the scheduled date when such payment shall be due unless with respect to Supplemental Rent, the scheduled date shall not be a Business Day, in which case such payment shall be due and made on the next succeeding Business Day.

Section 4.5. Late Payment. If any Basic Rent shall not be paid when due, Lessee shall pay to Lessor, or if any Supplemental Rent payable to or on behalf or for the account of Lessor, Agent, any Participant, or other Indemnitee is not paid when due, Lessee shall pay to whomever shall be entitled thereto, in each case as Supplemental Rent, interest at the Overdue Rate (to the maximum extent permitted by law) on such overdue amount from and including the due date thereof (without regard to any applicable grace period) to but excluding the Business Day of payment thereof.

Section 4.6. Net Lease. This Lease is a net lease and Lessee's obligation to pay all Rent, Lease Balance, indemnities and other amounts payable hereunder shall be absolute and unconditional under any and all circumstances and, without limiting the generality of the foregoing, Lessee shall not be entitled to and hereby waives any right to any abatement, suspension, deferment, reduction, setoff, counterclaim or defense with respect to any Rent, Lease Balance, indemnity or other amount, whether arising by reason of any past, present or future claims of any nature by Lessee against Lessor, Agent or any Participant, or otherwise. Except as otherwise expressly provided herein, this Lease shall not terminate, nor shall the obligations of Lessee (including the obligation to pay Rent) be otherwise affected: (a) by reason of any defect in the condition, merchantability, design, construction, quality or fitness for use of, damage to, or loss of possession or use, theft, obsolescence or destruction, of any or all of the Units, however caused; or (b) by the taking, commandeering, confiscation or requisitioning, complete or partial, of any or all of the Acquired Property, or any part thereof, by condemnation or otherwise; or (c) by the invalidity or unenforceability or lack of due authorization by Lessor, Agent, any Participant or Lessee or other infirmity of this Lease or any other Operative Document; or (d) by the attachment of any Lien of any third party to any Acquired Property; or (e) by any prohibition or restriction of or interference with Lessee's use of any or all of the Acquired Property by any Person; or (f) by the insolvency of or the commencement by or against Lessor, Agent or any Participant of any bankruptcy, reorganization or similar proceeding; or (g) by any other cause, whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding. Lessee shall remain obligated under this Lease in accordance with its terms and, consistent with the intention of the parties expressed in Sections 2.4 and 10.1, shall not take any action to terminate, rescind or avoid this Lease, notwithstanding any action for bankruptcy, insolvency, reorganization, liquidation, dissolution or other proceeding affecting Lessor, Agent or any Participant, or any action with respect to this Lease which may be taken by any custodian, receiver, liquidator, assignee, trustee or sequestrator (or other similar official) of such Person. It is the intention of the parties, and Lessee expressly agrees, that all Rent, Lease Balance, indemnities and other amounts payable by Lessee hereunder shall be payable in all events in the manner and at the times herein provided unless Lessee's obligations in respect thereof have been terminated or modified pursuant to the express provisions of this Lease and the Units have been returned to Lessor, purchased by Lessee or sold to a third party in accordance with the terms hereof. To the extent permitted by Applicable Laws and Regulations, Lessee hereby waives any and all rights which it may now have or which may at any time be conferred upon it, by statute or otherwise, to terminate, cancel, quit or surrender this Lease, in whole or in part, except strictly in accordance with the express terms hereof. Each rental, indemnity or other payment made by Lessee hereunder shall be final, and Lessee shall not seek to recover all or any part of such payment from Lessor, Agent or any Participant for any reason whatsoever. Without affecting Lessee's obligation to pay Rent, Lease Balance or other amounts payable hereunder, Lessee may seek damages for a breach by Lessor, Agent or any Participant of their respective obligations under the Operative Documents.

#### ARTICLE V POSSESSION, ASSIGNMENT, USE AND MAINTENANCE OF UNITS

Section 5.1. Possession and Use of Units; Compliance with Laws. The Units shall be used only for their originally intended use. Lessee shall not use the Units or any part thereof for any purpose or in any manner that would materially adversely affect the Fair Market Value, utility, remaining useful life or residual value of the Units. Lessee agrees that the Units will be used and operated in compliance with any and all Applicable Laws and Regulations. Lessee shall procure and maintain in effect all licenses, registrations, certificates, permits, approvals, returns, renditions and consents required by Applicable Laws and Regulations or by any Governmental Authority in connection with the ownership, delivery, installation, use and operation of each Unit. Lessee shall not (a) use, operate, maintain or store any Unit or any portion thereof in violation of Section 5.3 or any Insurance Requirement; (b) sublease, assign or otherwise permit the use of any Unit except as may be permitted by Section 5.2 or 5.4; (c) except as set forth in Section 5.2 or 5.4 or Section 5.19 of the Participation Agreement, sell, assign or transfer any of its rights hereunder or in any Acquired Property, or directly or indirectly create, incur or suffer to exist any Lien on any of its rights hereunder or in any Unit, except for Permitted Liens; or (d) permit any Unit to be operated, used or located outside of the United States. Subject to Section 2.4 hereof, the Lessee will defend the sale of the Units by the Lessee to Lessor against the claims or demands of all Persons. Except in the ordinary course of business and except as in compliance with all Environmental Laws, the Lessee shall not use any Unit, or permit any Unit to be used, for the transportation or storage of Hazardous Material. Lessee shall keep in its possession at all times the items described in clause (e) of the definition of Lessee Collateral.



Section 5.2. Subleases and Assignments. LESSEE SHALL NOT, WITHOUT THE PRIOR WRITTEN CONSENT OF Lessor AND AGENT, SUBLEASE OR OTHERWISE RELINQUISH POSSESSION OF ANY UNIT, OR ASSIGN, TRANSFER OR ENCUMBER ITS RIGHTS, INTERESTS OR OBLIGATIONS HEREUNDER AND ANY ATTEMPTED SUBLEASE OR OTHER RELINQUISHMENT OF POSSESSION, ASSIGNMENT, TRANSFER OR ENCUMBERING BY LESSEE SHALL BE NULL AND VOID, except as provided in this Section 5.2 or pursuant to a transaction permitted under Section 5.4 or Section 5.19 of the Participation Agreement. Each sublease, lease or user contract entered into in accordance with this Section 5.2 shall be referred to as a "Sublease." Lessee may, without the prior written consent of Lessor and Agent, enter into subleases of (A) so long as no Lease Event of Default described in Sections 8.1(f) or (g) exists, one or more of the Units to any customer of Lessee in connection with the supply of propane by Lessee to such customer, and (B) so long as no Lease Event of Default exists, one or more of the Units to a Wholly-Owned Subsidiary of Lessee; provided, that any Sublease entered into pursuant to clause (B) of this sentence must satisfy each of the following conditions:

(a) such Sublease shall automatically expire upon the termination of this Lease (unless Lessee shall have exercised the Purchase Option) and be expressly subordinate and subject to this Lease and the Liens created hereunder;

(b) such Sublease shall be in writing and shall expressly prohibit any further assignment, sublease or transfer;

(c) such Sublease shall not contain a purchase option in favor of the Sublessee or any other provision pursuant to which the Sublessee may obtain record or beneficial title to any Unit leased thereunder from Lessee;

(d) such Sublease shall prohibit the Sublessee from making any alterations or modifications to any Unit that would result in a violation of this Lease;

(e) such Sublease shall require the Sublessee to maintain each Unit subleased thereunder in accordance with Section 5.3;

(f) Lessee shall not, without Agent's prior written consent, permit or consent to any renewal or extension of such Sublease at any time when an Lease Default or Lease Event of Default has occurred and is continuing; and

(g) Lessee shall notify Lessor and Agent in writing within 30 days after entering into such Sublease, which notice shall include (i) a description of the Unit or Units to be subleased thereunder, and (ii) the location of such Unit or Units during the term of such Sublease.

The liability of Lessee with respect to this Lease and each of the other Operative Documents shall not be altered or affected in any way by the existence of any Sublease. In connection with any Sublease, Lessee shall, at its own cost and expense, do any further act and execute, acknowledge, deliver, file, register and record any further documents which Lessor or Agent may reasonably request in order to preserve, protect and perfect Agent's and Lessor's Lien in such Sublease. Upon the written request of Lessor or Agent after a Lease Event of Default has occurred and is continuing, Lessee will deliver copies of any Subleases (excluding any thereof which are not in written form) then in effect to Lessor and Agent.

Section 5.3. Maintenance. At all times during the term of this Lease, Lessee shall, at its own cost and expense including taxes thereon:

(a) keep, repair, maintain and preserve each of the Units in at least as good order and operating condition, repair and appearance as when originally delivered, ordinary wear and tear excepted, and (i) in conformance with (A) customary industry standards, (B) the terms of all contracts (including, without limitation, service contracts) and (C) all Applicable Laws and Regulations and Insurance Requirements, and in the event that Applicable Laws and Regulations require any alteration, replacement or addition of or to any Part on any Unit, Lessee will conform therewith at its own expense and (ii) in conformance with the customary standards used by Lessee or any of its Subsidiaries in the ordinary course of business for similar equipment owned or leased by it;

(b) (i) conduct or cause to be conducted all scheduled maintenance of each Unit in conformity with Lessee's practices for similar equipment (including, without limitation, Lessee's maintenance program for such equipment) and (ii) maintain or cause to be maintained each Unit so as to preserve its remaining economic useful life, utility and residual value;

(c) cause each Unit to continue to have at all times the capacity and functional ability to perform, on a continuing basis (subject to customary interruption in the ordinary course of business for maintenance, inspection, service, repair and testing) and in commercial operation, the functions for which it was specifically designed.

In no event shall Lessee discriminate as to the use or maintenance of any Unit (including the periodicity of maintenance or recordkeeping in respect of such Unit) based upon such Unit being leased hereunder and financed under the Operative Documents as compared to equipment of a similar nature which Lessee owns or leases. Lessee shall prepare and deliver to Lessor within a reasonable time prior to the required date of filing (or, to the extent permissible, file on behalf of Lessor) any and all reports to be filed by Lessor with any Governmental Authority of any country or subdivision thereof in which any Unit is located by reason of the ownership by Lessor of the Units or the leasing thereof to Lessee. Lessor agrees to inform Lessee of any request for such reports received by it or of which it has knowledge. Lessee shall maintain or cause to be maintained, and shall permit Lessor to inspect, all records, returns, renditions, logs and other materials required by any Governmental Authority having jurisdiction over the Units or Lessee, to be maintained in respect of each Unit. Lessee hereby waives any right now or hereafter conferred by law to make repairs on the Units at the expense of Lessor, Agent or any Participant.

Section 5.4. Alterations and Modifications. In case any Unit, or any item of equipment, part or appliance therein (each, a "Part") is required to be altered, added to or modified in order to comply with any Applicable Laws and Regulations (a "Required Alteration") pursuant to Sections 5.1 or 5.3 hereof, Lessee agrees to make such Required Alteration at its own expense. Lessee shall have the right to make or cause to be made any modification, alteration or improvement to any Unit (herein referred to as a "Permitted Modification"), or to remove or cause to be removed any Part which has become worn out, broken or obsolete, provided in each case that Lessee continues to be in compliance with Sections 5.1 and 5.3 hereof and that such action (a) will not decrease the present or future economic value of the applicable Unit or impair its originally intended use or function or decrease its economic useful life and (b) will not cause such Unit to become suitable for use only by Lessee. In the event any Permitted Modification (i) is readily removable without impairing the value or use which the Unit would have had at such time had such Part not been affixed or placed to or on such Unit (a "Removable Part"), (ii) is not a Required Alteration and (iii) is not a Part which replaces any Part originally incorporated or installed in or attached to such Unit on the date on which such Unit became subject to this Lease, or any Part in replacement of or substitution for any such original Part (each an "Original Part"), any such Permitted Modification, unless a Lease Event of Default under clauses (a), (e) or (f) of Section 8.1 has occurred and is continuing or Lessor has exercised any remedy under Article VIII, shall be and remain the property of Lessee. To the extent such Permitted Modification is not a Removable Part, or is a Required Alteration or an Original Part, and, to the extent a Removable Part is not the property of Lessee because of the continuance of a Lease Event of Default under clauses (a), (f) or (g) of Section 8.1 or Lessor has exercised any remedy under Article VIII, the same shall immediately and automatically be and become the property of Lessor and subject to the terms of this Lease. Any Required Alterations, and any Parts installed or replacements made by Lessee upon any Unit pursuant to its obligation to maintain and keep the Units in good order, operating condition and repair under Section 5.3 (collectively, "Replacement Parts") and all other Parts which become the property of Lessor shall be considered, in each case, accessions to such Unit and title thereto or security interest therein shall be immediately and automatically vested in Lessor. All Replacement Parts shall be free and clear of all Liens (other than Permitted Liens) and shall be in as good an operating condition as, and shall have a value and utility at least equal to, the Parts replaced, assuming such replaced Parts and the relevant Units were immediately prior to such replacement or the event or events necessitating such replacement in the condition and repair required to be maintained by the terms hereof. Any Part at any time removed from any Unit shall remain subject to the interests of Lessor and Agent under the Operative Documents, no matter where located, until such time as such Part shall be replaced by a Part which has been incorporated or installed in or attached to such Unit and which meets the requirements for a Replacement Part specified above, whereupon Lessor hereby releases any and all interest in and to such replaced Part. Upon the occurrence of a Lease Event of Default or the exercise by Lessee of the Sale Option pursuant to Section 9.1(b), upon Lessor's or Agent's written request Lessee shall deliver to Lessor a Bill of Sale evidencing the conveyance by Lessee to Lessor of all Replacement Parts not previously evidenced by a Bill of Sale (which Bill of Sale may generally describe such Replacement Parts) and such other documents in respect of such Part or Parts as Lessor may reasonably request in order to confirm that title to such Part or Parts has passed to Lessor, as hereinabove provided. Any such Replacement Part, regardless of whether evidenced by a Bill of Sale, shall be deemed part of such Unit, for all purposes hereof to the same extent as the Parts originally incorporated or installed in such Unit, and title to such Replacement Part shall thereupon vest in Lessor, subject to the terms of this Lease. All replacements pursuant to this Section 5.4 shall be purchased by Lessee with its own funds. There shall be no obligation on the part of Lessor, Agent or any Participant to pay for or otherwise finance any such replacement.

Section 5.5. Legend; Inspection. Lessee will cause each Unit to be plainly, conspicuously and permanently marked by a stencil, plate or sticker disclosing the interests of Lessee (or its predecessors) therein. Lessee will replace promptly any such marking which may be removed, defaced, obliterated or destroyed. The Units may be lettered with the names or initials or other insignia customarily used by the Lessee but Lessee will not allow the name of any other Person (other than its predecessors) to be placed on any Unit as designation that might be interpreted as a claim of ownership. Upon the request of Lessor or Agent, Lessee shall make the Units available to Lessor or Agent or

its agents, representatives or assignees for inspection at reasonable times and at their then location and upon reasonable notice and shall also make Lessee's books, manuals, logs, records and other information pertaining to the Units (other than customer information regarding internal classifications of customers, payment history, propane gallons delivered, timing of propane gallons delivered, payment terms and prices charged to customers) available for inspection and permit such parties to make copies thereof, provided that all costs and expenses of Lessor or Agent in connection with such inspection shall be borne by the inspecting party unless a Lease Event of Default has occurred and is continuing at the time of such inspection, in which case all such costs and expenses shall be borne by Lessee.

Section 5.6. Liens. Lessee will not directly or indirectly create, incur, assume or suffer to exist any Lien (other than Permitted Liens) on or with respect to (i) any Unit or any Part thereof or any other Lessee Collateral, or Lessor's, Agent's or any Participant's title thereto or interest therein or (ii) this Lease or any of Lessor's, Agent's or any Participant's interests hereunder. Lessee, at its own expense, will promptly pay, satisfy and otherwise take such actions as may be necessary to keep this Lease and the Units and the other Acquired Property free and clear of, and to duly discharge or eliminate or bond in a manner satisfactory to Lessor and Agent in their reasonable discretion, any such Lien not excepted above if the same shall arise at any time. Lessee will notify Lessor and Agent in writing promptly upon becoming aware of any Tax or other Lien (other than any Lien excepted above) which individually or in the aggregate with any other Tax or other Lien exceeds \$1,000,000 that shall attach to the Units or any other Acquired Property, and of the full particulars thereof. Without limiting the foregoing, Lessee shall not assign or pledge any of its rights under any Sublease to any Person other than Lessor.

Section 5.7. Replacements and Substitutions. (a) In addition to the rights of Lessee under Section 5.4, Lessee shall have the option at any time to replace any Unit or Units (a "Replaced Unit" or "Replaced Units") with a substitute Unit or Units (a "Replacement Unit" or "Replacement Units" ), subject to the following conditions:

(i) No Lease Event of Default shall have occurred and be continuing;

(ii) The Replacement Unit or Replacement Units shall be located in the same State as the Replaced Unit or Units;

(iii) The Replacement Unit or Replacement Units shall be of a type described in the Appraisal delivered on the Delivery Date (provided that in no event may any Replacement Unit be of a capacity greater than 3499 gallons) and, taken as a whole, shall have a residual value, Fair Market Value and economic useful life (based upon the residual value, Fair Market Value and economic useful life for such type set forth in the Appraisal delivered on the Delivery Date) at least equal to those of the Replaced Unit or Replaced Units, taken as a whole, immediately prior to such substitution, assuming that the Replaced Unit or Replaced Units were in the condition and repair required to be maintained by the terms of this Lease, shall be in as good operating condition and state of repair as the Replaced Unit or Replaced Units immediately prior to such substitution, assuming that the Replaced Unit or Replaced Units were in the condition and repair required to be maintained by the terms of this Lease; and

(iv) As and when required by Section 5.8, Lessee shall (A) execute and deliver to Lessor a Bill of Sale substantially in the form of Exhibit I to the Participation Agreement and an Acceptance Certificate substantially in the form of Exhibit E to the Participation Agreement in respect of such Replacement Unit or Replacement Units, (B) provide evidence that the insurance required by Section 6.2 is in effect with respect to such Replacement Unit or Replacement Units, (C) perform all acts and execute, file and/or record any and all documents, financing statements and other instruments as are necessary or appropriate under Applicable Laws and Regulations or reasonably requested by Lessor or Agent to perfect Lessor's title to such Replacement Unit or Replacement Units and to perfect Agent's Lien and security interest in such Replacement Unit or Replacement Units as a first priority security interest subject to no Liens other than Permitted Liens and provide Lessor and Agent with evidence thereof and (D) provide an Officer's Certificate (which may be combined with the Officer's Certificate delivered pursuant to Section 5.8) and, if the value of the Replacement Units exceeds \$1,000,000, opinion of counsel (which may be in-house counsel to Lessee) as to the enforceability of the Bill of Sale and as to the perfection of such title and security interest;

(b) All replacements pursuant to Section 5.7(a) shall be purchased by Lessee with its own funds. There shall be no obligation on the part of Lessor, Agent or any Participant to pay for or otherwise finance any such replacement.

Section 5.8. Equipment List. (a) Lessee has delivered to Agent on the Delivery Date the initial Equipment List with respect to the Units, setting forth the information required by the definition thereof. Lessee shall deliver to Agent an updated Equipment List (i) annually on each anniversary of the Delivery Date, (ii) at any time that the aggregate value of Units or Units which

suffer a Casualty or are replaced pursuant to Section 5.7 exceeds \$1,000,000, (iii) on the date the Sale Option is exercised, (iv) on the Lease Termination Date if the Sale Option has been exercised, or (v) upon the request of Agent or Lessor after a Lease Event of Default shall have occurred and be continuing. Such updated list shall reflect any replacements or settlements with respect to the Units pursuant to Section 6.1 and any Replacement Units pursuant to Section 5.7. In connection with the delivery of such updated Equipment List, Lessee shall deliver to Agent and Lessor (i) an Officer's Certificate certifying that such updated Equipment List (except as to serial numbers) is true, correct and complete in all material respects, and (ii) any documents or showings required by Sections 5.8 or 6.1 for replacement Units, and, so long as no Lease Event of Default shall have occurred and be continuing, Agent and Lessor shall release any Replaced Units or substituted Units from the Lien of this Lease and the other Operative Documents and Lessor shall execute and deliver to Lessee such documents as may be reasonably required to release such Units from the terms and scope of this Lease and reconvey such Units to Lessee (without representations or warranties, except that such Units are free and clear of Certificate Trustee Liens), in such form as may be reasonably requested by Lessee, all at Lessee's sole cost and expense.

(b) In connection with any update to the Equipment List pursuant to Section 5.8(a), Schedule I hereto shall be correspondingly updated (but only as to the information set forth therein).

(c) The Equipment List shall be held by the Agent and, so long as no Lease Event of Default shall have occurred and be continuing, shall not be disclosed to any Person without the prior written consent of Lessee; provided that Agent may permit, subject to Section 9.16 of the Participation Agreement, Lessor and any Participant to inspect the Equipment List at the office of the Agent and, if a Lease Event of Default has occurred and is continuing, make copies thereof. Nothing in the foregoing sentence shall limit the right of Lessor or Agent to utilize the Equipment as it deems appropriate in connection with the exercise of remedies after a Lease Event of Default shall have occurred and be continuing. Any such inspection shall be at the expense of the inspecting party so long as no Lease Event of Default shall have occurred and be continuing and otherwise at Lessee's expense.

#### ARTICLE VI RISK OF LOSS; INSURANCE

Section 6.1. Casualty. Upon the occurrence of a Casualty or a series of Casualties with respect to a Unit or Units with a Purchase Price aggregating in excess of \$1,000,000 during the term of this Lease or as otherwise required by Section 5.8, Lessee shall give Lessor and Agent prompt notice thereof (a "Casualty Notice"). The Casualty Notice shall specify whether Lessee will:

(a) pay to Lessor the Casualty Amount of the Unit or Units suffering such Casualty or series of Casualties, together with all other Rent then due and owing, which payment shall be made on the next scheduled Payment Date after such Casualty or the latest in time of such series of Casualties, unless such Payment Date is less than 30 days from the date of the Casualty Notice, in which case such payment shall be made on the following Payment Date (the "Casualty Settlement Date"); or

(b) replace the Unit or Units with respect to which the Casualty or series of Casualties has occurred pursuant to the following provisions of this Section 6.1.

If Lessee has elected to pay the Casualty Amount pursuant to clause (a) above, such Lessee shall continue to make all payments of Rent due under this Lease until and including the Casualty Settlement Date. Upon payment of the Casualty Amount in respect of any Unit suffering a Casualty on such Casualty Settlement Date together with all Basic Rent and Supplemental Rent then due and owing, the remaining scheduled payments set forth on Schedule II, if any, shall be reduced by an amount equal to the product of the scheduled amount of each such payment (determined in each case prior to the receipt of such Casualty Amount), multiplied by the Unit Value Fraction of the Unit or Units suffering such Casualty or series of Casualties.

If Lessee has given notice that it intends to replace the Unit or Units suffering such Casualty or series of Casualties, Lessee may make subject to this Lease, not more than 60 days after the date of such Casualty Notice, a replacement for such Unit or Units meeting the suitability standards hereinafter set forth. To be suitable as a replacement Unit, an item (or items) (i) shall be of a type described in the Appraisal delivered on the Delivery Date (provided that in no event may any Replacement Unit be of a capacity greater than 3499 gallons), (ii) taken as a whole, must be of the same economic useful life, state of repair and operating condition (immediately preceding the Casualty or Casualties assuming that such Unit or Units had been maintained in accordance with the terms of Section 5.3) as the Unit or Units, taken as a whole, suffering the Casualty or Casualties, (iii) taken as a whole, must have a fair market value and residual value of not less than the fair market value and residual value (immediately preceding the Casualty assuming that such Unit or Units had been maintained in accordance with the terms of Section 5.3) of the Unit or Units, taken as a whole, suffering the Casualty or Casualties, (iv) must be free and clear of any Liens other than Permitted Liens, and (v) must be located in the same state as the Unit or Units suffering the Casualty or Casualties.

Lessee shall (A) execute and deliver to Lessor a Bill of Sale substantially in the form of Exhibit I to the Participation Agreement and an Acceptance Certificate substantially in the form of Exhibit E to the Participation Agreement in respect of such replacement Unit or replacement Units, (B) provide evidence that the insurance required by Section 6.2 is in effect with respect to such replacement Unit or replacement Units, (C) perform all acts and execute, file and/or record any and all documents, financing statements and other instruments as are necessary or appropriate under Applicable Laws and Regulations or reasonably requested by Lessor or Agent to perfect Lessor's title to such replacement Unit or replacement Units and to perfect Agent's Lien and security interest in such replacement Unit or replacement Units as a first priority security interest subject to no Liens other than Permitted Liens and provide Lessor and Agent with evidence thereof and (D) provide an Officer's Certificate and opinion of counsel (which may be in-house counsel to Lessee) as to the enforceability of the Bill of Sale and as to the perfection of such title security interest.

If (i) Lessor has received the amount payable with respect to the Casualty or Casualties and all other amounts due hereunder, or (ii) the Units have been substituted in accordance herewith, and, in each case, no Lease Event of Default exists, Lessee shall be entitled to receive from Lessor the proceeds of any recovery in respect of the Unit or Units from insurance or otherwise ("Casualty Recoveries"), and Lessor, subject to the rights of any insurer insuring the Units as provided herein, shall transfer title to the Units suffering such Casualty or Casualties to Lessee "as-is, where-is" without representation or warranty of any kind, except as to the absence of Certificate Trustee Liens. All fees, costs and expenses relating to a substitution as described herein shall be borne by Lessee. Except as otherwise provided in this Section 6.1, Lessee shall not be released from its obligations hereunder in the event of, and shall bear the risk of, any Casualty or Casualties to any Unit prior to or during the term of this Lease and thereafter until all of Lessee's obligations hereunder are fully performed.

Any payments (including, without limitation, insurance proceeds) received at any time by Lessor or Lessee from any Governmental Authority or other party with respect to any loss or damage to any Unit or Units not constituting a Casualty (i) up to \$1,000,000 shall be paid to Lessee, so long as no Lease Event of Default shall have occurred and be continuing, for application to repair or replacement of property in accordance with Sections 5.1 and 5.3, and (ii) in excess of \$1,000,000 will be held by Agent and applied directly in payment of repairs or for replacement of property in accordance with the provisions of Sections 5.1 and 5.3, if not already paid by Lessee, or if already paid by Lessee and no Lease Event of Default shall have occurred and be continuing, shall be applied to reimburse Lessee for such payment, and any balance remaining after compliance with said Sections with respect to such loss or damage shall be retained by Lessee.

LESSEE HEREBY ASSUMES ALL RISK OF LOSS, DAMAGE, THEFT, TAKING, DESTRUCTION, CONFISCATION, REQUISITION, COMMANDEERING, TAKING BY EMINENT DOMAIN OR CONDEMNATION, PARTIAL OR COMPLETE, OF OR TO EACH UNIT, HOWEVER CAUSED OR OCCASIONED, SUCH RISK TO BE BORNE BY LESSEE WITH RESPECT TO EACH UNIT FROM THE DATE OF THIS LEASE, AND CONTINUING UNTIL SUCH UNIT HAS BEEN RETURNED TO LESSOR IN ACCORDANCE WITH THE TERMS HEREOF. LESSEE AGREES THAT NO OCCURRENCE SPECIFIED IN THE PRECEDING SENTENCE SHALL IMPAIR, IN WHOLE OR IN PART, ANY OBLIGATION OF LESSEE UNDER THIS LEASE, INCLUDING, WITHOUT LIMITATION, THE OBLIGATION TO PAY RENT.

Section 6.2. Insurance Coverages. Lessee shall at all times, at its expense, cause to be carried and maintained (a) property insurance against risks of physical loss or damage to the Units, (b) public liability insurance against claims for bodily injury, death or property damage in an amount at least equal to \$10,000,000 per occurrence, and (c) worker's compensation, business interruption and automobile insurance, in each case in such amounts, with such deductibles and from such financially sound and reputable insurers as shall be (i) consistent with Lessee's current practices with respect to the Units, (ii) consistent with the insurance maintained by Lessee with respect to similar equipment owned or leased by Lessee, and (iii) with respect to the insurance described in clause (b) above, reasonably acceptable to Lessor and Agent. Lessor acknowledges that Lessee currently self-insures for physical loss or damage of the Units.

All such insurance shall name Lessor, Agent and the Participants as additional insureds, as their respective interests may appear pursuant to the terms and conditions of this Lease. Each policy referred to in this Section 6.2 shall provide that (i) it will not be cancelled or its limits reduced, or allowed to lapse without renewal, except after not less than 30 days' written notice to Lessor, Agent and the Participants, (ii) the interests of Lessor, Agent and the Participants shall not be invalidated by any act or negligence of, or breach of representation or warranty by, Lessee or any Person having an interest in any Unit, (iii) such insurance is primary with respect to any other insurance carried by or available to Lessor, Agent and/or any Participant, (iv) the insurer shall waive any right of subrogation, setoff, counterclaim or other deduction, whether by attachment or otherwise, against Lessor, Agent and the Participant, (v) the insurer shall waive any right to claim any premiums or commission against Lessor, Agent or any Participants; and (vi) such policy shall contain a cross-liability clause providing for coverage of Lessor, Agent and each Participant as if separate policies had been issued to each of them, except with respect to the limit of such insurance which shall in no event increase as

a result of such additional language. Lessee will notify Lessor, Agent and the Participants promptly of any policy cancellation, reduction in policy limits, modification or amendment.

Section 6.3. Insurance Certificates. Prior to the Delivery Date, and thereafter not less than 15 days prior to the expiration dates of the expiring policies theretofore delivered pursuant to Section 6.2, Lessee shall deliver to Lessor and Agent certificates issued by the insurer(s) for the insurance maintained pursuant to Section 6.2. Upon the request of Lessor or Agent, which shall not be made more than once per year, Lessee will furnish to Lessor and Agent a certificate of either Lessee's insurer or an independent insurance broker of recognized standing evidencing the maintenance of all insurance required hereunder.

ARTICLE VII  
[INTENTIONALLY RESERVED]

ARTICLE VIII  
EVENTS OF DEFAULT; REMEDIES

Section 8.1. Events of Default. The following shall constitute events of default (each a "Lease Event of Default") hereunder:

(a) Non-Payment. Lessee fails to pay, (i) when and as required to be paid herein, any payment of Basic Rent or any amount payable pursuant to Section 6.1(a), or Article IX, or (ii) within 5 days after the same becomes due, any Supplemental Rent (other than Supplemental Rent described in clause (i)); or

(b) Representation or Warranty. Any representation or warranty by Lessee or the General Partner made or deemed made herein, in any other Operative Document, or which is contained in any certificate, document or financial or other statement by Lessee, the General Partner, or any Responsible Officer, furnished at any time under this Lease, or in or under any other Operative Document, is incorrect in any material respect on or as of the date made or deemed made; or

(c) Specific Defaults. (i) Lessee fails to maintain the insurance required by Section 6.2 or Lessee fails to perform or observe any term, covenant or agreement contained in any of Section 5.2, or Sections 5.1 through 5.4, inclusive, 5.6, 5.9, 5.12, 5.13 or 5.15 through 5.38, inclusive, of the Participation Agreement; or (ii) Lessee shall fail to sell all of the Units on the Termination Date in accordance with and satisfaction of each of the terms, covenants, conditions and agreements set forth under Article IX in connection with and following its exercise of the Sale Option; or

(d) Other Defaults. Lessee, the General Partner or any Subsidiary fails to perform or observe any other term or covenant contained in this Lease or any other Operative Document, and such default shall continue unremedied for a period of 30 days after the earlier of (i) the date upon which a Responsible Officer knew of such failure or (ii) the date upon which written notice thereof is given to Lessee by the Lessor or Agent; provided that if (i) such default is not curable by the payment of money and cannot be cured within such 30 day period, and (ii) Lessee, the General Partner or such Subsidiary is diligently pursuing the cure of such default, then the period for cure of such default will be extended for the period necessary for Lessee, the General Partner or such Subsidiary to effect such cure, but in no event longer than 90 days from the date of such notice or knowledge; or

(e) Cross-Default. Lessee, 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 (including any termination or similar event in respect of any Accounts Receivable Securitization) 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 Lessee, 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, Lessee 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, Lessee 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, Lessee 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, Lessee 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 Lessee 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 Lessee, 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 Lessee, 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 Lessee, 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 Lessee or any Subsidiary, or Lessee or any Subsidiary for any reason loses any material license, permit or franchise, or Lessee 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 (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 Lessee 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) Lessee 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 8.1 occurs with respect to the Guarantor; or

(o) Operative Documents. Any Operative Document shall (except in accordance with its terms), in whole or in part, terminate, cease to be effective or cease to be the legally valid, binding and enforceable obligation of Lessee, or Lessee or any of its Affiliates shall, directly or indirectly, contest in any manner in any court the effectiveness, validity, binding nature or enforceability thereof, or the Lien securing Lessee's obligations under the Operative Documents shall, in whole or in part, cease to be a perfected first priority Lien free and clear of all Liens (other than Permitted Liens), or, in any case, Lessee or any of its Affiliates shall, at any time, directly or indirectly, contest in any manner in any court the validity or enforceability thereof; or

(p) Other Lease. A "Lease Event of Default" shall occur under the Other Lease.

(q) Change of Control. A Change of Control occurs.

Section 8.2. Remedies. If any Lease Event of Default exists, Lessor shall have the rights, options and remedies set forth below and Lessor may exercise in any order one or more or all of the following remedies (it being understood that no remedy herein conferred is intended to be exclusive of any other remedy or remedies, but each and every remedy shall be cumulative and shall be in addition to every other remedy given herein or now or hereafter existing at law or in equity or by statute): (i) declare the entire outstanding Lease Balance to be due and payable, together with accrued and unpaid Rent and any other amounts payable under the Operative Documents (without double counting); (ii) proceed by appropriate court action or actions either at law or in equity, to enforce the declaration of the amounts described in clause (i) above, the performance by Lessee of the applicable covenants of this Lease and the other Operative Documents or to recover damages for the breach thereof; (iii) terminate this Lease by notice in writing to Lessee, but Lessee shall remain liable as hereinafter provided; (iv) enforce the Lien given hereunder pursuant to the UCC or any other law; (v) enter upon the premises where any of the Lessee Collateral may be and take possession of all or any of such Lessee Collateral and exercise any of its rights with respect thereto; (vi) require Lessee to assemble and return the Units as provided below; and (vii) avail itself of the rights, options and remedies of a secured party under the UCC (regardless of whether the UCC or a law similar thereto has been enacted in a jurisdiction wherein the rights or remedies are asserted) or any other law.

If Lessor exercises the option set forth in clause (vi) above, Lessee shall, at its own expense, forthwith deliver exclusive possession of the Units to Lessor, at a location or locations designated by Agent in the 48 contiguous United States, together with a copy of an equipment list of the Units then subject to this Lease, all then current plans, specifications and operating, maintenance and repair manuals relating to the Units that have been received or prepared by Lessee or its Affiliates, appropriately protected and in the condition required by Article V hereof (and in any event in condition to be placed in immediate revenue service) and free and clear of all Liens other than Certificate Trustee Liens. In addition, Lessee shall, for 180 days after redelivery of the Units, maintain (or cause to be maintained) the Units in the condition required by Article V and free and clear of all Liens other than Certificate Trustee Liens, store the Units without cost to Lessor, Agent or any Participant and keep all of the Units insured in accordance with Section 6.2. This paragraph shall survive termination of this Lease.

Following the foreclosure of Lessee's interest in the Units and the other Lessee Collateral, Lessee shall take such action as Lessor or Agent shall reasonably request in order to notify sublessees and users of the Units of such foreclosure and the succession of Agent, Lessor or its designee to ownership and operation thereof. Without limiting the foregoing, Lessee agrees that if it receives any payments in respect of the filling of any Unit by Agent, Lessor or its designee, such amounts will be held in trust and promptly paid over to the applicable Person entitled thereto.

Notwithstanding the foregoing, if any Lease Event of Default described in Section 8.1(e) or 8.1(f) shall have occurred and be continuing, then the entire outstanding Lease Balance and all accrued and unpaid Rent and other amounts payable under the Operative Documents (without double counting) shall automatically and immediately become due and payable, without presentment, demand, notice, declaration, protest or other requirements of any kind, all of which are hereby expressly waived.

Section 8.3. Sale of Lessee Collateral. In addition to the remedies set forth in Section 8.2, if any Lease Event of Default shall occur, Lessor may, but is not required to, sell the Lessee Collateral in one or more sales. Any Participant, Lessor and Agent may purchase all or any part of the Lessee Collateral at such sale. Lessee acknowledges that sales for cash or on credit to a wholesaler, retailer or user of such Lessee Collateral, or at public or private auction, are all commercially reasonable. Any notice required by law of intended disposition by Agent shall be deemed reasonably and properly given if given at least 10 days before such disposition.

Section 8.4. Application of Proceeds. All payments received and amounts



held or realized by Lessor at any time when a Lease Event of Default shall be continuing as well as all payments or amounts then held or thereafter received by Lessor and the proceeds of sale pursuant to Section 8.3 shall be distributed to the Agent upon receipt by Lessor for distribution in accordance with Article III of the Loan Agreement.

Section 8.5. Right to Perform Obligations. If Lessee fails to perform any of its agreements contained herein within 10 days following Lessor's notice to Lessee describing such failure, Lessor may perform such agreement, and the fees and expenses incurred by Lessor in connection with such performance together with interest thereon shall be payable by Lessee upon demand. Interest on fees and expenses so incurred by Lessor shall accrue as provided in Section 4.5 from the date such expense is incurred until paid in full.

Section 8.6. Power of Attorney. Lessee unconditionally and irrevocably appoints Lessor as its true and lawful attorney-in-fact, with full power of substitution, to the extent permitted by Applicable Laws and Regulations, in its name and stead and on its behalf, for the purpose of effectuating any sale, assignment, transfer or delivery hereunder, if a Lease Event of Default has occurred and is continuing and Lessor is exercising any of the remedies contained in clauses (iii) through (vii) of the first paragraph of Section 8.2, whether pursuant to foreclosure or power of sale or otherwise, and in connection therewith to execute and deliver all such deeds, bills of sale, assignments, releases (including releases of this Lease on the records of any Governmental Authority) and other proper instruments as Lessor may reasonably consider necessary or appropriate. Lessee ratifies and confirms all that such attorney or any substitute shall lawfully do by virtue hereof. If requested by Lessor or any purchaser, Lessee shall ratify and confirm any such lawful sale, assignment, transfer or delivery by executing and delivering to Lessor or such purchaser, all deeds, bills of sale, assignments, releases and other proper instruments to effect such ratification and confirmation as may be designated in any such request.

Section 8.7. Remedies Cumulative; Consents. To the extent permitted by, and subject to the mandatory requirements of, Applicable Laws and Regulations, each and every right, power and remedy herein specifically given to Lessor or otherwise in this Lease shall be cumulative and shall be in addition to every other right, power and remedy herein specifically given or now or hereafter existing at law, in equity or by statute, and each and every right, power and remedy whether specifically herein given or otherwise existing may be exercised from time to time and as often and in such order as may be deemed expedient by Lessor, and the exercise or the beginning of the exercise of any power or remedy shall not be construed to be a waiver of the right to exercise at the same time or thereafter any right, power or remedy. Lessor's, Agent's or the Participants' consent to any request made by Lessee shall not be deemed to constitute or preclude the necessity for obtaining Lessor's, Agent's or the Participants' consent in the future to all similar requests. To the extent permitted by Applicable Laws and Regulations, Lessee hereby waives any rights now or hereafter conferred by statute or otherwise that may require Lessor, Agent or the Participants to sell, lease or otherwise use the Units, any Unit or any Part thereof in mitigation of Lessor's, Agent's or the Participants' damages upon the occurrence of a Lease Event of Default or that may otherwise limit or modify any of Lessor's, Agent's or the Participants' rights or remedies under this Section 8.

Section 8.8. Certain Financial Covenant Defaults. 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 Lessee (a "Charge"), and if solely by virtue of such Charge there would exist a Lease Event of Default due to the breach of any of Section 5.12(a) or 5.12(b) of the Participation Agreement as of such fiscal period end date, such Lease Event of Default shall be deemed to arise upon the earlier of (a) the date after such fiscal period end date on which Lessee 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 Lessee delivers to Lessor and Agent its audited annual or unaudited quarterly financial statements in respect of such fiscal period reflecting such Charge as taken.

#### ARTICLE IX LEASE TERMINATION

Section 9.1. Lessee's Option. Not later than 270 days prior to the last day of the Lease Term, Lessee shall, by delivery of written notice to Lessor and Agent, exercise one of the following options:

(a) purchase for cash for the Purchase Option Exercise Amount all, but not less than all, of the Units then subject to this Lease on the last day of the Lease Term (the "Purchase Option"); or

(b) sell on behalf of Lessor for cash to a purchaser or purchasers not in any way affiliated with Lessee all, but not less than all, of the Units then subject to this Lease on the last day of the Lease Term (the "Sale Option"). Simultaneously with a sale pursuant to the Sale Option, Lessee shall pay or cause to be paid to Lessor, as Supplemental Rent, (i) the Applicable Percentage Amount and (ii) that portion of the gross proceeds of the sale of the Units, without deductions or expense reimbursements ("Proceeds") which is sufficient

to pay the aggregate outstanding Lease Balance as of the Lease Expiration Date (as determined after the payment of all Basic Rent due on such date and after giving effect to the reduction of the Lease Balance by application of the Applicable Percentage Amount thereto). If the Proceeds exceed the Lease Balance as of the Lease Expiration Date as reduced by the application of the Applicable Percentage Amount thereto, Lessee shall retain the portion of the Proceeds in excess thereof. If the Proceeds are less than the aggregate outstanding Lease Balance as reduced by the application of the Applicable Percentage Amount thereto, Lessee shall not be obligated pursuant to this Section 9.1(b) to pay or cause to be paid to Lessor, as Supplemental Rent, more than the Proceeds, it being understood, however, that the amount payable pursuant to this Section 9.1(b) shall in no event be construed to limit any other obligation of Lessee under the Operative Documents, including, without limitation, pursuant to Article VII of the Participation Agreement and Sections 9.3, 9.4 and 9.5 hereof. In addition to the amounts determined to be payable by Lessee pursuant to the foregoing provisions of this Section 9.1(b), Lessee shall pay to Lessor all Supplemental Rent then due and owing. The obligation of Lessee to pay the amounts determined pursuant to this Section 9.1(b) shall be a recourse obligation of Lessee and shall be payable on the Termination Date. All amounts paid to Lessor pursuant to this Section 9.1(b) shall be paid to Agent for distribution pursuant to Article III of the Loan Agreement.

Section 9.2. Election of Options. Lessee's election of the Purchase Option will be irrevocable at the time made, but if Lessee fails to make a timely election, Lessee will be deemed to have irrevocably elected the Purchase Option. In addition, the Sale Option shall automatically be revoked if there exists a Lease Default or Lease Event of Default, at any time after the Sale Option is properly elected. In such event, Lessor shall be entitled to exercise all rights and remedies provided in Article VIII. Lessee may not elect the Sale Option if on the date the election is made there exists a Lease Event of Default or a Lease Default. Lessee's exercise of the Sale Option or the Purchase Option shall be conditioned upon the corresponding option being concurrently exercised under the Other Lease. In addition, it shall be a condition to the exercise of the Sale Option that Lessee shall have settled for or replaced any Unit or Units suffering a Casualty in accordance with Section 6.1 and shall have delivered an updated Equipment List to Agent and Lessor and otherwise complied with its obligations under Section 5.8 of this Lease, in each case regardless of whether the \$1,000,000 threshold has been reached.

Section 9.3. Sale Option Procedures. If Lessee elects the Sale Option, Lessee shall use its best commercial efforts to obtain the highest all cash purchase price for the Units. All costs related to such sale including, without limitation, the cost of sales agents, removal of the Units, delivery of documents to any location designated by a buyer within the continental United States, certification and testing of the Units in any reasonable location chosen by the buyer or prospective buyer, legal costs, costs of notices, any advertisement or other similar costs, or other information and of any parts, configurations or repairs, or modifications consistent with the Units being used to store and/or transport liquids and gases, in each case, required by a buyer or prospective buyer shall be borne entirely by Lessee, without regard to whether such costs were incurred by Lessor, Lessee or any potentially qualified buyer, and shall in no event be paid from any of the Proceeds. Neither Lessor, Agent nor any Participant shall have any responsibility for procuring any purchaser. If, nevertheless, Lessor, Agent or any Participant undertakes any sales efforts, Lessee shall promptly reimburse such Person for any charges, costs and expenses incurred in such effort, including any allocated time charges, costs and expenses of internal counsel or other attorneys' fees. Upon a sale pursuant to the Sale Option, the Units shall be in the condition required by Section 5.3 and shall be free and clear of all Liens other than Certificate Trustee Liens. Any purchaser or purchasers of the Units shall not in any way be affiliated with Lessee or have any understanding or arrangement with Lessee regarding the future use of the Units. On the Termination Date, so long as no Lease Event of Default or Lease Default exists: (i) Lessee shall transfer all of Lessee's right, title and interest in the Units or cause the Units to be so transferred to such purchaser or purchasers, if any, in accordance with all of the terms of this Lease; (ii) subject to the simultaneous payment by Lessee of all amounts due under clause (iii) of this sentence, Lessor shall, without recourse or warranty, except as to the absence of Certificate Trustee Liens, transfer by quitclaim or otherwise release, as appropriate, Lessor's right, title and interest in and to the Units to such purchaser or purchasers; and (iii) Lessee shall simultaneously pay to Agent all of the amounts contemplated in Section 9.1(b).

Section 9.4. Appraisals. If Lessee exercises the Sale Option and the sum of the Proceeds from the sale of all Units subject to this Lease plus the Applicable Percentage Amount are less than the outstanding Lease Balance, Lessor (upon direction from any Affected Participant) shall engage an appraiser of nationally recognized standing, at Lessee's expense, to determine (by appraisal methods satisfactory to the Affected Participants) the Fair Market Value of the Units then subject to this Lease as of the Termination Date. If the Appraisal concludes that the Fair Market Value of such Units as of the Termination Date was in excess of the aggregate Proceeds from the sale of all Units subject to this Lease, Lessee shall promptly pay to Lessor, as Supplemental Rent, such excess, which together with such Proceeds and the Applicable Percentage Amount so paid shall not exceed the Lease Balance determined immediately prior to the application of the foregoing amounts.

Section 9.5. Early Termination. (a) If no Lease Event of Default shall exist, on any scheduled Payment Date after the second anniversary of the Interim Term Expiration Date, Lessee may, at its option, upon at least 30 days' advance written notice to Lessor and Agent, purchase all, but not less than all, of the Units subject to this Lease for the Purchase Option Exercise Amount; provided that the lessee under the Other Lease shall have concurrently exercised its early termination option thereunder and designated the same date for purchase. Upon the indefeasible payment in full of such sums by Lessee in accordance with the provisions of the preceding sentence, the obligation of Lessee to pay Rent hereunder shall cease, the term of this Lease shall end on the date of such payment and Lessor shall execute and deliver to Lessee such documents as may be reasonably required to release the Units from the terms and scope of this Lease (without representations or warranties, except that the Units are free and clear of Certificate Trustee Liens), in such form as may be reasonably requested by Lessee, all at Lessee's sole cost and expense.

(b) Notwithstanding anything stated herein to the contrary, if (i) due to a change in accounting rules or treatment, this Lease is no longer treated as an operating lease for accounting purposes, or (ii) Lessor or any Participant is required to claim any federal or state tax attributes or benefits (including depreciation) relating to the Units in respect of any period prior to the Lease Expiration Date by an appropriate taxing authority or after a clearly applicable change in Applicable Laws and Regulations or as a protective response to a proposed adjustment by a Governmental Authority, Lessee may, at its option, upon at least five (5) days' advance written notice to Lessor and Agent, purchase all but not less than all of the Units subject to this Lease for the Purchase Option Exercise Amount; provided that the lessee under the Other Lease shall have concurrently exercised its early termination option thereunder and designated the same date for purchase. Upon the indefeasible payment in full of such sums by Lessee in accordance with the provisions of the preceding sentence, the obligation of Lessee to pay Rent hereunder shall cease, the term of this Lease shall end on the date of such payment and Lessor shall execute and deliver to Lessee such documents as may be reasonably required to release the Units from the terms and scope of this Lease (without representations or warranties, except that the Units are free and clear of Certificate Trustee Liens), in such form as may be reasonably requested by Lessee, all at Lessee's sole cost and expense.

Section 9.6. Designation of Purchaser. If Lessee has exercised the Purchase Option or any option under Section 9.5, Lessee may assign its right to purchase the Units to any other person or to designate any other person as the transferee under any bill of sale to be executed by Lessor in connection with such sale; provided, however, that Lessee shall remain primarily liable to pay the Purchase Option Exercise Amount and all other amounts then due and owing by Lessee under the Operative Documents.

#### ARTICLE X OWNERSHIP AND GRANT OF SECURITY INTEREST

Section 10.1. Grant of Security Interest. Title to the Acquired Property shall remain in Lessor as security for the obligations of Lessee hereunder and under the other Operative Documents and under the Related Operative Documents to which it is a party until Lessee has fulfilled all of its obligations hereunder and thereunder. Lessee hereby assigns, hypothecates, transfers and pledges to Lessor, and grants to Lessor a security interest in each Unit and in each Sublease covering any Unit that may be entered into from time to time in accordance with the provisions of this Lease, and Lessee hereby grants to Lessor a continuing security interest in all of the other Lessee Collateral, to secure the payment of all sums due hereunder and under the other Operative Documents and under the Related Operative Documents to which it is a party and the performance of all other obligations hereunder and under the other Operative Documents and under the Related Operative Documents to which it is a party.

Section 10.2. Retention of Proceeds. If Lessee would be entitled to any amount (including any Casualty Recoveries) held by Lessor or Agent or title to any Unit hereunder but for the existence of any Lease Event of Default, Agent shall hold such amount or Unit as part of the Lessee Collateral and shall be entitled to apply such amounts against any amounts due hereunder; provided, that Agent shall distribute such amount or transfer such Unit, to the extent not theretofore applied, in accordance with the other terms of this Lease if and when no Lease Event of Default exists.

#### ARTICLE XI MISCELLANEOUS

Section 11.1. Effect of Waiver. No delay or omission to exercise any right, power or remedy accruing to Lessor upon any breach or default of Lessee hereunder shall impair any such right, power or remedy nor shall it be construed to be a waiver of any such breach or default, or an acquiescence therein or of or in any similar breach or default thereafter occurring, nor shall any single or partial exercise of any right, power or remedy preclude other or further exercise thereof, or the exercise of any other right, power or remedy, nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. Any waiver, permit, consent or approval of any kind or character on the part of Lessor of any breach or default under this Lease must be specifically set forth in writing and must satisfy the requirements set forth in Section 11.5 with respect to approval by

Lessor.

Section 11.2. Survival of Covenants. All representations, warranties and covenants of the parties hereto under Article IV, Article V, Article IX and Article X shall survive the expiration or termination of this Lease to the extent arising prior to any such expiration or termination.

Section 11.3. Applicable Laws and Regulations. THIS LEASE SHALL BE GOVERNED BY AND CONSTRUED UNDER the LAWS OF THE STATE OF NEW YORK.

Section 11.4. Notices. Unless otherwise specified herein, all notices, requests, demands or other communications to or upon the respective parties hereto shall be in writing and shall be delivered and shall be deemed to have been given in accordance with Section 9.3 of the Participation Agreement.

Section 11.5. Amendment; Complete Agreements. Neither this Lease nor any of the terms hereof may be terminated, amended, supplemented, waived or modified orally, but only by an instrument in writing signed by the party against which the enforcement of the termination, amendment, supplement, waiver or modification shall be sought. This Lease, together with the other Operative Documents, is intended by the parties as a final expression of their agreement and as a complete and exclusive statement of the terms thereof, all negotiations, considerations and representations between the parties having been incorporated herein and therein. No course of prior dealings between the parties or their officers, employees, agents or Affiliates shall be relevant or admissible to supplement, explain, or vary any of the terms of this Lease or any other Operative Document. Acceptance of, or acquiescence in, a course of performance rendered under this or any prior agreement between the parties or their Affiliates shall not be relevant or admissible to determine the meaning of any of the terms of this Lease or any other Operative Document. No representations, undertakings or agreements have been made or relied upon in the making of this Lease other than those specifically set forth in the Operative Documents.

Section 11.6. Counterparts. This Lease has been executed in several numbered counterparts. Only the counterpart designated as counterpart "No. 1" shall be deemed to be an original or to be chattel paper for purposes of the Uniform Commercial Code, and such copy shall be held by Agent.

Section 11.7. Severability. Whenever possible, each provision of this Lease shall be interpreted in such a manner as to be effective and valid under Applicable Laws and Regulations; but if any provision of this Lease shall be prohibited by or invalid under Applicable Laws and Regulations, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Lease.

Section 11.8. Successors and Assigns. This Lease shall be binding upon the parties hereto and their respective successors and assigns and shall inure to the benefit of the parties hereto and their respective successors and permitted assigns.

Section 11.9. Captions; Table of Contents. Section captions and the table of contents used in this Lease (including the Schedules, Exhibits and Annexes hereto) are for convenience of reference only and shall not affect the construction of this Lease.

Section 11.10. Schedules and Exhibits. The Schedules, Annexes and Exhibits hereto, along with all attachments referenced in any of such items, are incorporated herein by reference and made a part hereof.

Section 11.11. Liability of Lessor Limited. The parties hereto agree that First Security Bank, National Association, in its individual capacity ("First Security"), shall have no personal liability whatsoever to Lessee or its respective successors and assigns for any Claim based on or in respect of this Lease or any of the other Operative Documents or arising in any way from the transactions contemplated hereby or thereby; provided, however, that First Security shall be liable in its individual capacity (a) for its own willful misconduct or gross negligence (or negligence in the handling of funds), (b) for liabilities that may result from the incorrectness of any representation or warranty expressly made by it in its individual capacity in Section 4.3 of the Participation Agreement or from the failure of First Security to perform its covenants and agreements set forth in Section 6.2 of the Participation Agreement, or (c) for any Tax based on or measured by any fees, commission or compensation received by it for acting as Lessor as contemplated by the Operative Documents. It is understood and agreed that, except as provided in the preceding proviso: (i) First Security shall have no personal liability under any of the Operative Documents as a result of acting pursuant to and consistent with any of the Operative Documents; (ii) all obligations of Lessor to Lessee are solely nonrecourse obligations except to the extent that it has received payment from others; (iii) all such personal liability of First Security is expressly waived and released as a condition of, and as consideration for, the execution and delivery of the Operative Documents by First Security and (iv) this Lease is executed and delivered by First Security solely as Certificate Trustee in the exercise of the powers expressly conferred upon it as Lessor under the Trust Agreement.

Section 11.12. Successor Lessor. Lessee agrees that, in the case of the appointment of any successor Certificate Trustee pursuant to the Trust Agreement

and the other Operative Documents, such successor shall, upon written notice by such successor to Lessee, succeed to all the rights, powers and title of Lessor hereunder and shall be deemed to be Lessor for all purposes hereof and without in any way altering the terms of this Lease or Lessee's obligations hereunder.

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

FERRELLGAS, LP, as Lessee

By: Ferrellgas, Inc., its General Partner

By: \_\_\_\_\_

Name:

Title:

FIRST SECURITY BANK, NATIONAL ASSOCIATION, not in its individual capacity but solely as Certificate Trustee, as Lessor

By:

Name:

Title:

SCHEDULE I  
DESCRIPTION OF UNITS

SCHEDULE II  
AMORTIZATION OF CLASS A NOTES



PARTICIPATION AGREEMENT

(Ferrellgas, LP Trust No. 1999-A)

Dated as of December 1, 1999

Among

FERRELLGAS, LP,  
as Lessee,

FERRELLGAS, INC.,  
as General Partner

FIRST SECURITY BANK, NATIONAL ASSOCIATION,  
not in its individual capacity except as expressly  
stated herein, but solely as Certificate Trustee

FIRST SECURITY TRUST COMPANY OF NEVADA,  
not in its individual capacity except as expressly  
stated herein, but solely as Agent

THE PERSONS NAMED ON SCHEDULE I-A,  
as Certificate Purchasers

THE PERSONS NAMED ON SCHEDULE I-B,  
as Lenders

TABLE OF CONTENTS

SECTION	HEADING	PAGE
ARTICLE I	DEFINITIONS.....	2
ARTICLE II	ACQUISITION AND LEASE; GENERAL PROVISIONS.....	2
Section 2.1.	Funding.....	2
Section 2.2.	Application of Funds; Acquisition and Lease of Units.....	2
Section 2.3.	Time and Place of Delivery Date.....	3
Section 2.4.	Postponement of Delivery Date.....	3
Section 2.5.	Participants' Instructions to Certificate Trustee and Payments to Participants.....	3
Section 2.6.	Nature of Transaction.....	4
Section 2.7.	Amounts Due.....	4
Section 2.8.	Computations.....	5
Section 2.9.	Determination of Interest Rate and Yield Rate.....	5
Section 2.10.	Obligations Several.....	6
Section 2.11.	Fees	6
Section 2.12.	Extension of Lease Expiration Date and Final Maturity Date.....	6
ARTICLE III	CONDITIONS TO DELIVERY DATE.....	8
Section 3.1.	Conditions to Delivery Date.....	8
ARTICLE IV	REPRESENTATIONS AND WARRANTIES.....	12
Section 4.1.	Representations and Warranties of Lessee.....	12
Section 4.2.	Representations and Warranties of Each Participant.....	19
Section 4.3.	Representations and Warranties of Certificate Trustee.....	21
Section 4.4.	Representations and Warranties of Agent.....	23
ARTICLE V	COVENANTS OF LESSEE AND GUARANTOR.....	24
Section 5.1.	Financial Statements.....	24
Section 5.2.	Certificates; Other Information.....	25
Section 5.3.	Notices.....	26
Section 5.4.	Preservation of Corporate or Partnership Existence, Etc.....	27
Section 5.5.	Maintenance of Property.....	27
Section 5.6.	Insurance.....	27
Section 5.7.	Payment of Obligations.....	27
Section 5.8.	Compliance with Laws.....	28
Section 5.9.	Inspection of Property and Books and Records.....	28
Section 5.10.	Environmental Laws.....	28
Section 5.11.	Use of Proceeds.....	28

Section 5.12.	Financial Covenants.....	28
Section 5.14.	Other General Partner Obligations.....	29
Section 5.15.	Monetary Judgments.....	30
Section 5.16.	Year 2000 Compliance.....	30
Section 5.17.	Limitation on Liens.....	30
Section 5.18.	Asset Sales.....	32
Section 5.19.	Consolidations and Mergers.....	33
Section 5.20.	Acquisitions.....	34
Section 5.21.	Limitation on Indebtedness.....	34
Section 5.22.	Transactions with Affiliates.....	35
Section 5.23.	Use of Proceeds.....	36
Section 5.24.	Use of Proceeds - Ineligible Securities.....	36
Section 5.25.	Contingent Obligations.....	36
Section 5.26.	Joint Ventures.....	36
Section 5.27.	Lease Obligations.....	36
Section 5.28.	Restricted Payments.....	37
Section 5.29.	Prepayments of Subordinated Indebtedness.....	38
Section 5.30.	Dividend and Other Payment Restrictions Affecting Subsidiaries.....	39
Section 5.31.	Change in Business.....	39
Section 5.32.	Accounting Changes.....	40
Section 5.33.	Limitation on Sale and Leaseback Transactions.....	40
Section 5.34.	[Intentionally Omitted].....	40
Section 5.35.	Amendments of Organization Documents or 1996 Indenture or 1998 Note Purchase Agreement.....	40
Section 5.37.	Operations through Subsidiaries.....	40
Section 5.38.	Operations of MLP.....	41
Section 5.39.	Miscellaneous.....	41
Section 5.40.	Accounting Principles.....	42
ARTICLE VI	OTHER COVENANTS AND AGREEMENTS.....	42
Section 6.1.	Cooperation with Lessee.....	42
Section 6.2.	Covenants of Certificate Trustee and Agent.....	43
Section 6.3.	Assignments.....	44
Section 6.4.	Participations.....	45
ARTICLE VII	INDEMNIFICATION.....	45
Section 7.1.	General Indemnification.....	45
Section 7.2.	General Tax Indemnity.....	47
Section 7.3.	Excessive Use Indemnity.....	49
Section 7.4.	Gross Up.....	49
Section 7.5.	Increased Capital Costs.....	49
Section 7.6.	LIBO Rate Illegal, Unavailable or Impracticable.....	50
Section 7.7.	Funding Losses.....	50
Section 7.8.	Actions of Affected Participants.....	51
ARTICLE VIII	AGENT.....	51
Section 8.1.	Appointment of Agent; Powers and Authorization to Take Certain Actions.....	51
Section 8.2.	Reliance.....	52
Section 8.3.	Action upon Instructions Generally.....	53
Section 8.4.	Indemnification.....	53
Section 8.5.	Independent Credit Investigation.....	54
Section 8.6.	Refusal to Act.....	54
Section 8.7.	Resignation or Removal of Agent; Appointment of Successor.....	54
Section 8.8.	Separate Agent.....	55
Section 8.9.	Termination of Agency.....	55
Section 8.10.	Compensation of Agent.....	55
Section 8.11.	Limitations.....	56
ARTICLE IX	MISCELLANEOUS.....	56
Section 9.1.	Survival of Agreements.....	56
Section 9.2.	No Broker, etc.....	56
Section 9.3.	Notices.....	57
Section 9.4.	Counterparts.....	57
Section 9.5.	Amendments.....	57
Section 9.6.	Headings, etc.....	58
Section 9.7.	Parties in Interest.....	58
Section 9.8.	Governing Law.....	59
Section 9.9.	Payment of Transaction Costs and Other Costs.....	59
Section 9.10.	Severability.....	59
Section 9.11.	Limited Liability of Certificate Trustee.....	59
Section 9.12.	Liabilities of the Participants.....	60
Section 9.13.	Submission to Jurisdiction; Waivers.....	60
Section 9.14.	Reproduction of Documents.....	60
Section 9.15.	Role of Bank of America Leasing & Capital Group, LLC.....	61
Section 9.16.	Confidentiality.....	61
Section 9.17.	Thermogas Transaction.....	62
Section 9.18.	Acquired Property.....	62
Section 9.19.	Effective Date.....	62

APPENDIX 1

Definitions

SCHEDULE I-A	Certificate Purchaser Commitments
SCHEDULE I-B	Lender Commitments
SCHEDULE II	Addresses For Notice; Wire Instructions
SCHEDULE III	Units
SCHEDULE 3.1(o)	Filings and Recordings
SCHEDULE 4.1(g)	ERISA Matters
SCHEDULE 4.1(p)	Subsidiaries and Affiliates
SCHEDULE 5.21	Existing Indebtedness
EXHIBIT A	Form of Lease
EXHIBIT B	Form of Delivery Date Notice
EXHIBIT C	Form of Loan Agreement
EXHIBIT D	Form of Assignment of Lease and Rent
EXHIBIT E	Form of Acceptance Certificate
EXHIBIT F	Form of Trust Agreement
EXHIBIT G	[Intentionally Reserved]
EXHIBIT H-1	Form of Opinion of Special Counsel for Lessee
EXHIBIT H-2	Form of Opinion of Special Counsel for Certificate Trustee
EXHIBIT H-3	Form of Opinion of Special Counsel for Agent
EXHIBIT I	Form of Bill of Sale
EXHIBIT J	Form of Compliance Certificate
EXHIBIT K	Form of Transfer Documentation

## PARTICIPATION AGREEMENT

THIS PARTICIPATION AGREEMENT (Ferrellgas, LP Trust No. 1999-A), dated as of December 1, 1999 (this "Agreement"), is among FERRELLGAS, LP, a Delaware limited partnership, as Lessee; FERRELLGAS, INC., a Delaware corporation, as General Partner; FIRST SECURITY BANK, NATIONAL ASSOCIATION, a national banking association, not in its individual capacity except as expressly stated herein, but solely as Certificate Trustee; FIRST SECURITY TRUST COMPANY OF NEVADA, not in its individual capacity except as expressly stated herein, but solely as Agent; the Persons named on Schedule I-A hereto (together with their respective permitted successors, assigns and transferees), as Certificate Purchasers; and the Persons listed on Schedule I-B hereto (together with their respective permitted successors, assigns and transferees), as Lenders.

### PRELIMINARY STATEMENT

A. Lessee is the owner of the Units and the other Lessee Collateral (collectively the "Acquired Property") and desires to enter into the Overall Transaction for the purpose of financing of the Acquired Property.

B. The Trust under the Trust Agreement has been created for the purpose of providing financing for the acquisition of the Acquired Property and to hold title to the Acquired Property to secure Lessee's performance under the Operative Documents.

C. Subject to the terms and conditions of this Agreement and the other Operative Documents, on the Delivery Date, among other things:

(i) Lessor will purchase from Lessee, and Lessee will transfer to Lessor, the Units described on Schedule III hereto (together with any Units that may be hereafter substituted for any thereof pursuant to Section 5.7 or Section 6.1 of the Lease and subjected to the Lease from time to time, being referred to collectively as the "Units" and individually as a "Unit") and the other Acquired Property; and

(ii) Lessor will lease such Acquired Property to Lessee and Lessee will lease such Acquired Property from Lessor, pursuant to the terms of the Lease.

D. Subject to the terms and conditions of this Agreement and the other Operative Documents, the Participants are willing to advance funds for the financing of the Acquired Property and to pay certain Transaction Costs as contemplated herein.

E. To secure their respective Certificate Amounts and Loans, Agent, on behalf of the Participants, will have the benefit of a Lien on the Units and the Lessee Collateral and the Certificate Trustee's interest in the Lease and the other Lessor Collateral.

NOW, THEREFORE, in consideration of the mutual agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

## ARTICLE I

### DEFINITIONS

Unless the context shall otherwise require, capitalized terms used and not defined herein shall have the meanings assigned thereto in Appendix 1 hereto for all purposes hereof; and the rules of interpretation set forth in Appendix 1 hereto shall apply to this Agreement.

## ARTICLE II

### ACQUISITION AND LEASE; GENERAL PROVISIONS

#### Section 2.1. Funding.

(a) Amount of Funding. Subject to the terms and conditions of this Agreement and in reliance on the representations and warranties of each of the parties hereto contained herein or made pursuant hereto, upon receipt of the Delivery Date Notice, on the Delivery Date each Certificate Purchaser shall acquire its interest in the Trust Estate and each Lender will assist in funding Certificate Trustee's purchase of the Acquired Property, in each case by making available to Certificate Trustee by wire transfer in accordance with the instructions set forth in the Delivery Date Notice an amount in immediately available funds on the Delivery Date equal to such Participant's Commitment.

(b) Notes and Certificates. Each Lender's Loan shall be evidenced by a separate Class A or Class B Note or Notes issued to such Lender and repayable in accordance with, and with Interest accruing pursuant to, the terms of the Loan Agreement. The amounts made available by each Certificate Purchaser shall be

evidenced by a separate Certificate issued by Certificate Trustee to each Certificate Purchaser. Each Certificate shall accrue Yield at the Yield Rate on the Certificate Amount thereof, payable as more fully set forth in the Trust Agreement.

Section 2.2. Application of Funds; Acquisition and Lease of Units. On the Delivery Date, upon (a) receipt by Agent of all amounts to be paid by the Participants pursuant to Section 2.1, and (b) satisfaction or waiver of each of the conditions set forth in Article III, (i) Certificate Trustee shall acquire record title to the Acquired Property, as specified in the Delivery Date Notice, (ii) in consideration therefor, Agent, on behalf of Certificate Trustee, shall pay, from the funds made available by the Participants pursuant to Section 2.1, an amount equal to the aggregate Purchase Price of the Acquired Property in immediately available funds remitted by wire transfer to the account specified by Lessee in the Delivery Date Notice, and (iii) Certificate Trustee shall lease to Lessee the Acquired Property, and Lessee shall accept delivery of and lease from Certificate Trustee such Acquired Property, pursuant to the Lease.

Section 2.3. Time and Place of Delivery Date. The Delivery Date shall take place on the Delivery Date set forth in the Delivery Date Notice, commencing at 10:00 a.m., Chicago time, at the offices of Chapman and Cutler, 111 West Monroe Street, Chicago, Illinois 60603, subject to the following:

(i) the Funding and Delivery Date shall occur on a Business Day on or after the date hereof and not later than December 30, 1999, it being understood that there may be a Funding without the consummation of the transactions to occur on the Delivery Date if Lessee has postponed the Delivery Date pursuant to Section 2.4, so long as the Delivery Date occurs not later than December 30, 1999; and

(ii) in no event shall the aggregate amount advanced by the Participants exceed the total Commitments of all Participants, nor shall the aggregate amount advanced by any Participant exceed such Participant's Commitment.

Section 2.4. Postponement of Delivery Date. In the event that the Participants shall make the Funding requested pursuant to the Delivery Date Notice and the transactions contemplated to occur on the Delivery Date shall not have been consummated on the date specified in such Delivery Date Notice, Lessee shall pay to Agent, for the benefit of (a) the Certificate Purchasers, yield on the amount funded by each Certificate Purchaser at the Yield Rate, and (b) the Lenders, interest on the amount funded by each Lender at the Interest Rate, in each case less any interest or other amounts earned by Agent investing such funded amounts, which interest shall be for the ratable benefit of the Participants; provided that this provision shall not be construed to require Agent to invest such funds in interest-bearing accounts. Such interest shall be due and payable by Lessee upon the consummation of the Delivery Date and such payment shall be an additional condition precedent to such Delivery Date; provided, however, that no additional Delivery Date Notice shall be required to be given if such Delivery Date is postponed and thereafter consummated; and provided, further, that if such Delivery Date shall not have occurred by the first to occur of (a) the second (2nd) Business Day following the Funding in respect thereof and (b) December 30, 1999, then all such interest shall be due and payable on such date, and Agent shall refund to each Participant all amounts funded by such Participant, plus any amounts due pursuant to Section 7.7 (which Lessee shall pay to Agent for the benefit of the Participants). Upon a Participant funding the amount of its Commitment, the Commitment of such Participant shall terminate.

Section 2.5. Participants' Instructions to Certificate Trustee and Payments to Participants. (a) Each Participant agrees that the making of its monies available pursuant to Section 2.1 shall constitute, without further act, authorization and direction by such Participant to Certificate Trustee to take the actions specified in Section 1.1 of the Trust Agreement.

(b) The parties to this Participation Agreement hereby agree that any payment required to be made to the Participants by Certificate Trustee pursuant to any Operative Document may be made directly to the Participants by Lessee, or to Agent pursuant to the Loan Agreement for the benefit of the Participants, in lieu of the corresponding payment required to be made by Lessee to Certificate Trustee pursuant to any Operative Document. Such payment by Lessee to the Participants or to Agent pursuant to the Loan Agreement for the benefit of the Participants, shall be deemed to constitute: (i) the required payment from Lessee to Certificate Trustee, and (ii) the corresponding payment by Certificate Trustee to the Participants.

Section 2.6. Nature of Transaction. It is the intention of the parties that:

(a) the Overall Transaction constitutes an operating lease from Lessor to Lessee for purposes of Lessee's financial reporting;

(b) for all other purposes including federal, state and local income tax, property tax, transfer tax, bankruptcy (including the substantive law upon which bankruptcy proceedings are based), regulatory and real estate, commercial law and UCC purposes:

(i) the Overall Transaction constitutes a financing by the Participants to Lessee, the Overall Transaction

preserves beneficial ownership in the Units in Lessee, and the obligations of Lessee to pay Basic Rent shall be treated as payments of interest, yield and/or principal to the Participants, and the payment by Lessee of any amounts in respect of the Lease Balance shall be treated as payments of principal to the Participants;

(ii) Lessor is the owner of record and holds title in the Acquired Property as security for Lessee's obligations under the Operative Documents, and the Lease grants a security interest or a lien, as the case may be, in the Units and the other Lessee Collateral in favor of the Lessor, and for the benefit of the Participants; and

(iii) the Assignment of Lease and Rent creates Liens and security interests in the Lessor Collateral for the benefit of all of the Participants.

Nevertheless, Lessee acknowledges and agrees that none of Certificate Trustee, Agent, Arranger, or any Participant has made any representations or warranties concerning the tax, accounting or legal characteristics of the Operative Documents or any aspect of the Overall Transaction and that Lessee has obtained and relied upon such tax, accounting and legal advice concerning the Operative Documents and the Overall Transaction as it deems appropriate.

Section 2.7. Amounts Due. Anything else herein or elsewhere to the contrary notwithstanding, it is the intention of Lessee, Certificate Trustee and Participants that: (i) the amount and timing of installments of Basic Rent due and payable from time to time from Lessee under the Lease shall be equal to the aggregate payments due and payable in respect of principal amortization of the Notes, if any, Interest accrued on the Notes and Yield accrued on the Certificates on each Payment Date; (ii) if Lessee elects the Early Termination Option or the Purchase Option or becomes obligated to purchase the Units under the Lease, the principal of the Notes, the Certificate Amounts, all Interest and Yield thereon, all Fees and Transaction Costs and all other obligations of Lessee owing to the Participants, Agent and Certificate Trustee shall be paid in full by Lessee in accordance with Article IX of the Lease; (iii) if Lessee properly elects the Sale Option and remarkets the Units in accordance with Article IX of the Lease, Lessee shall only be required to pay the Proceeds of the sale of the Units and, if the Proceeds are less than the Lease Balance, the amount of such difference but not more than the Applicable Percentage Amount, all in accordance with Article IX of the Lease, and any amounts due pursuant to Section 7.3 hereof and Section 9.4 of the Lease (which aggregate amounts may be less than the Lease Balance) together with all other Supplemental Rent then due and payable; and (iv) upon the occurrence and continuance of a Lease Event of Default resulting in an acceleration of Lessee's obligation to purchase the Units under the Lease, the amounts then due and payable by Lessee under the Lease shall include all amounts necessary to pay in full the outstanding principal under the Notes, the Certificate Amounts and all accrued Interest and Yield thereon, plus all other amounts then payable by Lessee to Participants, Agent and Certificate Trustee under the Operative Documents.

Section 2.8. Computations. For all purposes under the Operative Documents, all computations of Interest, Yield and other accrued amounts (including, without limitation, the Overdue Rate) shall be made on the basis of a 360-day year and the actual days elapsed, unless otherwise specifically provided herein.

Section 2.9. Determination of Interest Rate and Yield Rate. (a) The amount of principal outstanding on the Notes shall accrue Interest at the rate per annum equal to the Interest Rate applicable to the Class of such Note. The amount of Certificate Amounts outstanding from time to time shall accrue Yield at the rate per annum equal to the Yield Rate. Agent shall as soon as practicable, but in no event later than 11:00 a.m., New York time, two (2) Business Days prior to the effectiveness of each LIBO Rate, notify Certificate Trustee, Lessee and the Participants of such LIBO Rate and the corresponding Interest Rates and Yield, as applicable, but failure to so notify shall not affect the obligations of the parties hereunder or under the other Operative Documents. Accrued Interest and Yield shall be due and payable by Lessee as Basic Rent on each applicable Payment Date and on the Lease Expiration Date. If all or any portion of the principal under the Notes, the Certificate Amounts, any accrued Interest or Yield payable thereon or any other amount payable hereunder shall not be paid when due (whether at stated maturity, acceleration or otherwise), such overdue amount shall bear interest at a rate per annum which is equal to the Overdue Rate and shall be payable from time to time on demand as Supplemental Rent. If at any time the rate on which Interest or Yield accrues cannot be determined by reference to a LIBO Rate, or if such rate becomes unavailable or illegal, then the rate on which Interest or Yield accrues shall be determined as provided at Section 7.6.

(b) During such time as the LIBO Rate applies to any of the Notes or Certificates, Interest in respect of such Notes and Yield in respect of such Certificates shall be calculated on the basis of a 360-day year and the actual days elapsed. During such time as the Alternate Base Rate determined by reference to the Reference Rate applies to any of the Notes or Certificates, Interest in respect of such Notes and Yield in respect of such Certificates shall be calculated on the basis of a 365 (or 366, as applicable) day year and the actual days elapsed. During such time as the Alternate Base Rate determined by reference to the Federal Funds Effective Rate applies to any of the Notes or

Certificates, Interest in respect of such Notes and Yield in respect of such Certificates shall be calculated on the basis of a 360-day year and the actual days elapsed.

(c) Each determination of an Interest Rate pursuant to any provision of this Agreement and the determination of the corresponding Yield shall be conclusive and binding on Certificate Trustee, Lessee and the Participants in the absence of manifest error.

Section 2.10. Obligations Several. The obligations of the Participants hereunder or elsewhere in the Operative Documents shall be several and not joint; and no Participant shall be liable or responsible for the acts or defaults of any other party hereunder or under any other Operative Document.

Section 2.11. Fees. Lessee shall pay any and all fees described in the succeeding provisions of this Section 2.11 (collectively, "Fees"):

(a) The Fees specified in the Arranger's Fee Letter, in the amounts and on the dates set forth therein;

(b) The Fees of the Bank, for its own account, specified in the Trustee Fee Letter and the Fees of the Agent, for its own account, specified in the Agent Fee Letter, in each case in the amounts and on the dates set forth therein; and

(c) An upfront fee to each Participant as specified in the Arranger's Fee Letter, such upfront fee to be payable on the date it acquires its interest in the Notes and/or Certificates.

Section 2.12. Extension of Lease Expiration Date and Final Maturity Date. (a) Lessee may request in writing (the "Extension Option Request") to the Agent, Certificate Trustee and each of the Participants that each of the Participants agrees that Lessee be granted the right (the "Extension Option") pursuant to the Lease to extend the Lease Term (the "Lease Extension") for up to two (2) additional one-year periods commencing on the last day of the then current Lease Term, as applicable (each, a "Lease Renewal Term") and that the Final Maturity Date be correspondingly extended to the extended Lease Expiration Date; provided that the lessee under the Other Lease shall have concurrently requested a similar extension of the term of the Other Lease. Such Extension Option Request must be delivered in writing to Certificate Trustee and Agent not later than 270 days nor more than 360 days prior to the expiration of the Lease Term. Agent and Certificate Trustee shall promptly forward such notice to the Certificate Purchasers and the Lenders, respectively. Each Participant will notify the Certificate Trustee in writing of whether or not it has consented to such Extension Option Request not later than 45 days after receipt of the Extension Option Request (the "Extension Option Response Date"). Any Participant who does not so notify Certificate Trustee by the Extension Option Response Date will be deemed to be, and any Participant that has notified the Certificate Trustee that it has not consented to an Extension Option Request will be, a Non-Consenting Participant. Each Participant's determination with respect to an Extension Option Request shall be a new credit determination and within such Participant's sole and absolute discretion and may be conditioned upon such terms and conditions as deemed appropriate by the consenting Participants, including the modification of the Applicable Percentage Amount, receipt of such financial information, documentation or other information or conditions as may be reasonably requested by such Participant, the receipt of an appraisal of the Units (in form and substance satisfactory to the Participants) opining that the Appraised Value of the Units on an in-place, in-service basis at the end of the first or second Lease Renewal Term, as applicable, is reasonably expected to be at least 95.50% of the aggregate Purchase Price (with respect to the first Lease Renewal Term) and at least 94.50% (with respect to the second Lease Renewal Term).

The Extension Option shall become effective as of the first date (the "Extension Effective Date") on or after the Extension Option Response Date on which all of the Participants (other than Non-Consenting Participants who have been replaced by Replacement Participants in accordance with Section 2.12(b)) and Replacement Participants shall have consented to such Lease Extension;

provided that on both the date of the Extension Option Request and the Extension Effective Date: (w) each of the representations and warranties made by the Certificate Trustee and Lessee in or pursuant to the Operative Documents shall be true and correct as if made on and as of each such date (except to the extent any such representation or warranty specifically relates to an earlier date), (x) Lessee shall not have elected the Purchase Option or Sale Option, (y) no Lease Default or Lease Event of Default shall have occurred and be continuing, and (z) on each of such dates, the Certificate Trustee shall have received a certificate of Lessee as to the matters set forth in clauses (x) and (y) above; and

provided further that in no event shall the Extension Effective Date occur unless (x) each of the Participants (other than Non-Consenting Participants who have been replaced in accordance with Section 2.12(b)) and the Replacement Participants shall have consented to the Extension Option Request on or before the expiration of the Lease Term, and (y) each of the participants under the Other Transaction shall have consented to the corresponding extension option request on or before the expiration of the term of the Other Lease.

(b) At any time after the Extension Option Response Date, Lessee shall be permitted to replace any Non-Consenting Participant with a replacement bank or other financial institution (a "Replacement Participant"), and such Non-Consenting Participant shall sell (without recourse) to the Replacement Participant all Notes and/or Certificates of such Non-Consenting Participant for an amount equal to the aggregate outstanding principal amount of such Notes and/or Certificates plus accrued Interest and Yield thereon to (but not including) the date of sale, provided that: (i) such replacement does not conflict with any Applicable Laws and Regulations, (ii) the Lessee shall pay to such Non-Consenting Participant any amounts arising under Section 7.7 if any Notes and/or Certificates of such Non-Consenting Participant shall be purchased other than on the last day of the Payment Period relating thereto, (iii) such replacement shall be made in accordance with the provisions of Section 6.3 (provided that the relevant Replacement Participant or Lessee shall be obligated to pay the transaction costs arising in connection therewith), (iv) the Replacement Participant shall have agreed to be subject to all of the terms and conditions of the Operative Documents, and (v) such replacement must be consummated no later than thirty (30) days prior to the expiration of the Lease Term. A Non-Consenting Participant's rights under the indemnification provisions of the Operative Documents shall survive any sale of its Notes and/or Certificates to a Replacement Participant.

### ARTICLE III

#### CONDITIONS TO DELIVERY DATE

Section 3.1. Conditions to Delivery Date. The obligation of each Participant to perform its obligations on the Delivery Date shall be subject to the fulfillment to the reasonable satisfaction of, or the waiver by, such Participant of the conditions precedent set forth in this Section 3.1 on or prior to the Delivery Date (except that the obligation of any party hereto shall not be subject to such party's own performance or compliance):

(a) Delivery Date Notice. Lessee shall have delivered to Agent, Certificate Trustee and each Participant, not later than three (3) Business Days prior to the proposed Delivery Date, an irrevocable notice substantially in the form of Exhibit B (a "Delivery Date Notice"), setting forth (i) the proposed Delivery Date, (ii) a description (including, if available, model, make and identification number) of each Unit to be purchased on the Delivery Date, (iii) the aggregate Purchase Price of such Units, (iv) the respective Purchase Price of each Unit and (v) wire transfer instructions for the disbursement of funds.

(b) Authorization, Execution and Delivery of Documents; No Default. This Agreement, the Lease, the Assignment of Lease and Rent, the Trust Agreement, the Certificates, the Loan Agreement and the Notes shall have been duly authorized, executed and delivered by each of the other parties thereto, shall (to the extent the form and substance thereof shall not be prescribed hereby) be in form and substance satisfactory to each Participant and an executed counterpart of each thereof (except for the Certificates and the Notes, originals of which shall only be delivered to the applicable Participant, and the original counterpart of the Lease, which shall be delivered to the Agent) shall have been received by each of the Participants, Agent and Certificate Trustee. Each Participant shall have received an original, duly executed Note and/or Certificate, as applicable, registered in such Participant's name. Each of the documents referred to above shall be in full force and effect as to all other parties and no Lease Default or Lease Event of Default shall have occurred or be continuing.

(c) Litigation. No action or proceeding shall have been instituted or threatened nor shall any governmental action be instituted or threatened before any Governmental Authority, nor shall any order, judgment or decree have been issued or proposed to be issued by any Governmental Authority, to set aside, restrain, enjoin or prevent the performance of this Agreement or any transaction contemplated hereby or by any other Operative Document or which is reasonably likely, in the reasonable opinion of each Participant, to have a Material Adverse Effect.

(d) Legality, etc. In the opinion of each Participant or its counsel, the transactions contemplated by the Operative Documents shall not violate any Applicable Laws and Regulations and no change shall have occurred or been proposed in Applicable Laws and Regulations that would make it uneconomic or illegal for any party to any Operative Document to participate in any of the transactions contemplated by the Operative Documents or otherwise would prohibit the consummation of any transaction contemplated by the Operative Documents or expand the duties, obligations and risks of such Participant.

(e) Approvals. (x) All approvals and consents required or advisable to be taken, given or obtained, as the case may be, by or from any trustee or holder of any Indebtedness or obligation of Lessee, that are necessary at such time for the execution, delivery and performance of the Operative Documents shall have been taken, given or obtained as the case may be, shall be in full force and effect and the



time for appeal with respect to any thereof shall have expired (or, if an appeal shall have been taken, the same shall have been dismissed) and shall not be subject to any pending proceedings or appeals (administrative, judicial or otherwise).

(y) All approvals, consents, exemptions, authorizations, or other actions by, or notices to, or filing with, any Governmental Authority necessary or required in connection with (a) the execution, delivery or performance by, or enforcement against, the General Partner or Lessee of this Agreement or any other Operative Document, or (b) the continued operation of Lessee's business as contemplated to be conducted after the date hereof by the Operative Documents shall have been obtained on or before the Delivery Date, except in the case of 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 Lessee 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.

(f) Requirements of Law. In the reasonable opinion of Certificate Trustee, Agent and the Participants and their respective counsel, the Overall Transaction does not and will not violate any Applicable Laws and Regulations and does not and will not subject Certificate Trustee, Agent or any Participant to any adverse regulatory prohibitions or constraints.

(g) Corporate Status and Proceedings. On or prior to the Delivery Date, each of the Participants, Agent and Certificate Trustee shall have received:

(i) certificates of existence and good standing with respect to Lessee and the General Partner from the Secretary of State of the state of its organization dated no earlier than the 30th day prior to the Delivery Date;

(ii) copies of Lessee's Certificate of Limited Partnership, certified by the Secretary of State of the state of its organization dated no earlier than the 30th day prior to the Delivery Date; and

(iii) certificates of the Secretary or Assistant Secretary of the general partner of Lessee, in form and substance satisfactory to Agent and the Participants, and attaching and certifying as to (A) the Lessee's limited partnership agreement, (B) the director's resolutions in respect of the execution, delivery and performance by Lessee of each Operative Document to which it is or will be a party, (C) the general partner's articles of incorporation and bylaws and (D) the incumbency and signatures of persons authorized to execute and deliver documents on behalf of Lessee.

(h) Certificate Trustee Officer's Certificate. Each Participant and Agent shall have received (x) a certificate of the Secretary or Assistant Secretary of Certificate Trustee attaching and certifying as to: (i) the corporate authority for the execution, delivery and performance by Certificate Trustee of each Operative Document to which it is or will be a party, (ii) its organizational documents, (iii) its by-laws, (iv) the incumbency and signature of persons authorized to execute and deliver such documents on behalf of Certificate Trustee and (y) a good standing certificate from the appropriate Governmental Authority as to Certificate Trustee's good standing.

(i) Equipment List. Lessee shall have delivered to Agent the initial Equipment List, setting forth the description of the Units, the serial numbers thereof (if available), Lessee's internal unit numbers thereof, Lessee's District for administration thereof and either Lessee's customer mailing and/or street address or the address of Lessee's storage location, as applicable, as of the Delivery Date.

(j) Performance. Lessee shall have performed and complied with all agreements and conditions contained herein and in any other Operative Document to which Lessee is a party required to be performed or complied with by Lessee, on or prior to the Delivery Date.

(k) Representations and Warranties True; Absence of Defaults Each representation and warranty of Lessee contained herein or in any other Operative Document shall be true and correct in all material respects as though made on and as of the Delivery Date, except that any such representation or warranty which is expressly made only as of an earlier date need be true only as of such date. No Lease Event of Default or Lease Default or default under any other Operative Document shall have occurred and be continuing.

(l) Appraisal. At least five (5) Business Days prior to the Delivery Date, Certificate Trustee, Agent and each Participant shall have received an Appraisal from the Appraiser to their satisfaction opining (by use of appraisal methods satisfactory to the Participants):

(i) that the Appraised Value of the Units on the Delivery Date is at least equal to the aggregate Purchase Price;

(ii) that the Appraised Value of the Units at the end of the Lease Term (exclusive of any Lease Renewal Terms) is reasonably expected to be at least 96.50% of the aggregate Purchase Price;

(iii) that the remaining economic useful life of each Unit is not less than eight (8) years; and

(iv) that the value set forth in clause (ii) above was determined on an in-place, in-service basis.

(m) Bill of Sale. Lessee shall have executed and delivered to Lessor a bill of sale (a "Bill of Sale") with respect to the Units to be sold by it to Lessor on the Delivery Date in the form of Exhibit I hereto.

(n) Acceptance Certificate. Lessee shall inspect to its satisfaction and accept the Acquired Property by delivering to Certificate Trustee, Agent and the Participants an acceptance certificate (the "Acceptance Certificate") in the form of Exhibit E hereto whereupon (i) subject to the payment of the Purchase Price for the Acquired Property, the Acquired Property shall immediately become subject to and be governed by all the provisions of the Lease and (ii) Lessee shall be deemed by delivering the Acceptance Certificate to have reaffirmed each of its representations and warranties set forth in Section 4.1 hereof.

(o) Lien Searches; Filings and Recordings. At least five (5) Business Days prior to the Delivery Date, Agent and the Participants shall have received lien search results against Lessee in each State where the Units are located. On the Delivery Date, all filings or recordings enumerated and described in Schedule 3.1(o) hereof, as well as all other filings and recordings necessary or advisable in the opinion of counsel to the Participants, to perfect the rights, title and interest of Certificate Trustee, the Participants and the Agent intended to be created by the Operative Documents shall have been made in the appropriate places or offices.

(p) Transaction Costs; Fees. On or prior to the Delivery Date, Lessee shall have paid any Transaction Costs invoiced and not previously paid and any Fees required to be paid on the Delivery Date pursuant to Section 2.11.

(q) Opinions of Counsel. On the Delivery Date, Certificate Trustee, Agent and the Participants shall have received opinions of Bracewell & Patterson, LLP, special counsel to Lessee, and Ray, Quinney & Nebeker, special counsel to the Certificate Trustee and to Agent, dated the Delivery Date and substantially in the forms of Exhibits H-1, H-2 and H-3 respectively, with respect to the Overall Transaction.

(r) Payment of Taxes. All Taxes due and payable on or prior to the Delivery Date in connection with the execution, delivery, recording or filing of any of the Operative Documents, in connection with the filing of any of the financing statements and any other documents, in connection with the consummation of any other transactions contemplated hereby or by any of the other Operative Documents, shall have been paid in full by Lessee.

(s) Insurance. On or prior to the Delivery Date, Agent, Certificate Trustee and each Participant shall have received a current certificate of insurance, and the insurance complying with Section 6.2 of the Lease shall be in full force and effect, and there shall be no past due premiums in respect of any such insurance.

(t) Absence of Material Adverse Effect. Since July 31, 1999, no Material Adverse Effect shall have occurred.

(u) No Casualty; No Liens. No Casualty shall have occurred with respect to any Unit being delivered on the Delivery Date. The Units shall be free and clear of all Liens other than Permitted Liens.

(v) Syndication Agreement. Lessee and Arranger shall have entered into a syndication agreement in form and substance reasonably satisfactory to them (the "Syndication Agreement") with respect to the Notes and the Certificates.

(w) Credit Agreement Amendment. Lessee, the General Partner, the Credit Agreement Banks and the other parties to the Credit Agreement shall have entered into the Third Amendment to Second Amended and Restated Credit Agreement.

(x) Proceedings Satisfactory, Etc. All proceedings taken in connection with the Delivery Date and all documents relating thereto shall be reasonably satisfactory to Agent, Certificate Trustee, each Participant and their respective counsel, and each such Person shall have received copies of such documents as they may reasonably request in connection therewith, all in form and substance reasonably satisfactory to each such Person.

#### ARTICLE IV

##### REPRESENTATIONS AND WARRANTIES

Section 4.1. Representations and Warranties of Lessee. As of the date of its execution of this Agreement and the Delivery Date, Lessee makes the representations and warranties set forth in this Section 4.1 to each of the other parties hereto:

(a) Corporate or Partnership Existence and Power.

The General Partner, the MLP, Lessee and each of its Subsidiaries:

(i) is a corporation or partnership duly organized, validly existing and in good standing under the laws of the jurisdiction of its formation;

(ii) 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 Operative Documents;

(iii) 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

(iv) is in compliance with all material Requirements of Law.

(b) Corporate or Partnership Authorization; No Contravention.

The execution, delivery and performance by Lessee and the General Partner of this Agreement and each other Operative Document to which the General Partner or Lessee is party, have been duly authorized by all necessary partnership action on behalf of Lessee and all necessary corporate action on behalf of the General Partner, and do not and will not:

(i) contravene the terms of any of the General Partner's or Lessee's Organization Documents;

(ii) 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 or Lessee 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

(iii) violate any material Requirement of Law.

(c) Governmental Authorization. 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 or Lessee of this Agreement or any other Operative Document, or (b) the continued operation of Lessee's business as contemplated to be conducted after the date hereof by the Operative 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 Lessee 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.

(d) Binding Effect. This Agreement and each other Operative Document to which the General Partner or Lessee 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.

(e) Litigation. There are no actions, suits, proceedings, claims or disputes pending, or to the best knowledge of Lessee, threatened or contemplated, at law, in equity, in arbitration or before any Governmental Authority, against the General Partner, the MLP, Lessee or any of its Subsidiaries or any of their respective properties which:

(i) purport to affect or pertain to this Agreement or any other Operative Document or any of the transactions contemplated hereby or thereby; or

(ii) if determined adversely to Lessee 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 Operative Document, or directing that the transactions provided for herein or therein not be consummated as herein or therein provided.

(f) No Default. No Lease Default or Lease Event of Default exists or would result from Lessee entering into the Overall Transaction or the incurring, continuing or converting of any Obligations by Lessee. As of the Delivery Date, neither Lessee nor any Affiliate of Lessee 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 Delivery Date, create a Lease Event of Default under Section 8.1(e) of the Lease.

(g) ERISA Compliance. (i) 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 Lessee and the General Partner, nothing has occurred which would cause the loss of such qualification.

(ii) There are no pending, or to the best knowledge of Lessee 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.

(iii) No ERISA Event has occurred or is reasonably expected to occur with respect to any Pension Plan.

(iv) No Pension Plan has any Unfunded Pension Liability, except that the Ferrellgas, Inc. Retirement Income Plan has an Unfunded Pension Liability in an amount not in excess of \$448,221 however, the Ferrellgas, Inc. Retirement Income Plan is not underfunded.

(v) Lessee 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).

(vi) Lessee 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.

(vii) Except as specifically disclosed in Schedule 4.1(g), no trade or business (whether or not incorporated under common control with Lessee 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 4.1(g), neither Lessee nor any Person under common control with Lessee (as defined in the preceding sentence) has ever contributed to any multiemployer plan within the meaning of Section 4001(a)(3) of ERISA.

(h) Use of Proceeds; Margin Regulations. The proceeds of the sale of the Units, the Certificates and the Notes are to be used solely for the purposes set forth in and permitted by Section 5.11 and Section 5.23 and 5.24. Neither Lessee nor any Affiliate of Lessee is generally engaged in the business of purchasing or selling Margin Stock or extending credit for the purpose of purchasing or carrying Margin Stock.

(i) Title to Properties. Lessee 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 Delivery Date and subject to the preceding sentence, the property of Lessee and its Subsidiaries (other than the Units) is subject to no Liens other than Permitted Encumbrances.

(j) Taxes. The General Partner has filed all Federal and other material tax returns and reports required to be filed, for itself and for Lessee, 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.

(k) Financial Condition. (i) The audited consolidated financial statements of the General Partner, Lessee, the MLP and their respective Subsidiaries dated July 31, 1999 and the unaudited consolidated financial statements of the General Partner, Lessee, the MLP and their respective Subsidiaries dated October 31, 1999, 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:

(A) 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;

(B) fairly present the financial condition of Lessee and its Subsidiaries as of the date thereof and results of operations for the period covered thereby; and

(C) show all material indebtedness and other liabilities, direct or contingent, of Lessee and its consolidated Subsidiaries as of the date thereof, including liabilities for taxes, material commitments and Contingent Obligations.

(ii) Since July 31, 1999, there has been no Material Adverse Effect.

(iii) The General Partner, the MLP, Lessee and each of the other Subsidiaries of Lessee are each Solvent, both before and after giving effect to the consummation of each of the transactions contemplated by the Operative Documents.

(l) Environmental Matters. Lessee 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 Lessee 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.

(m) Regulated Entities. None of Lessee or any Affiliate of Lessee, is an "Investment Company" within the meaning of the Investment Company Act of 1940. Lessee 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.

(n) No Burdensome Restrictions. Neither Lessee 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.

(o) Copyrights, Patents, Trademarks and Licenses, Etc. Lessee 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 Lessee, no slogan or other advertising device, product, process, method, substance, part or other material now employed, or now contemplated to be employed, by Lessee 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 Lessee, threatened, and no patent, invention, device, application, principle or any statute, law, rule, regulation, standard or code is pending or, to the knowledge of Lessee, proposed, which, in either case, could reasonably be expected to have a Material Adverse Effect.

(p) Subsidiaries and Affiliates. Lessee (a) has no Subsidiaries or other Affiliates except (i) those specifically disclosed in part (a) of Schedule 4.1(p) hereto, (ii) one or more SPEs established in connection with Accounts Receivable Securitizations

permitted by Section 5.21, (iii) Subsidiaries established in compliance with Section 5.37 and (iv) Thermogas (but only for so long as Thermogas shall be permitted to be operated as a Wholly-Owned Subsidiary of the Borrower as set forth in the proviso to Section 5.37) and (b) has no equity investments in any corporation or entity other than Subsidiaries and Affiliates disclosed in subsection (a) above and those Permitted Investments specifically disclosed in part (b) of Schedule 4.1(p).

(q) Insurance. The properties of Lessee and its Subsidiaries are insured with financially sound and reputable insurance companies not Affiliates of Lessee, 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 Lessee or such Subsidiary operates.

(r) Tax Status. Lessee is subject to taxation under the Code only as a partnership and not as a corporation.

(s) Full Disclosure. None of the representations or warranties made by Lessee or any Affiliate of Lessee in the Operative 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 Lessee or any Affiliate of Lessee in connection with the Operative 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.

(t) [Intentionally Reserved].

(u) [Intentionally Reserved].

(v) [Intentionally Reserved].

(w) Year 2000. Lessee 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 Lessee 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, Lessee believes that the "Year 2000 Problem" will not have a Material Adverse Effect.

(x) Title; Liens. Lessee has good and marketable title to each Unit and the other Acquired Property to be sold and delivered to Certificate Trustee, free and clear of all Liens other than Permitted Liens. Lessee has not granted, nor will it grant, any Lien (other than any Permitted Lien) on any Unit, any other Lessee Collateral or the Lease, to any Person other than Certificate Trustee; and no Lien (other than any Permitted Lien) has attached to any Unit, any other Lessee Collateral or the Lease, or in any manner has affected adversely Agent's and Certificate Trustee's rights and Lien therein.

(y) Security Interest. (i) Certificate Trustee has a valid and enforceable Lien in the Units and the other Lessee Collateral free and clear of all Liens other than Permitted Liens and, upon the filing of the items listed on Schedule 3.1(o), Certificate Trustee will have a perfected first priority Lien of record in the Units and in the other Lessee Collateral as against all Persons including Lessee and its creditors, free and clear of all Liens other than Permitted Liens.

(ii) Agent has a valid and enforceable Lien in the Lessor Collateral free and clear of all Liens other than Permitted Liens and, upon the filing of the items listed on Schedule 3.1(o), Agent will have a perfected first priority Lien of record in the Lessor Collateral as against all Persons including Lessee, Certificate Trustee and their creditors, free and clear of all Liens other than Permitted Liens.

(z) The Units. The Purchase Price for each item of Acquired Property does not exceed the Appraised Value of such item of Acquired Property at the time of the sale to Certificate Trustee hereunder and the aggregate Purchase Price for all Acquired Property does not exceed the Appraised Value of all of the Acquired Property at the time of the sale to Certificate Trustee hereunder.

(aa) No Transfer Taxes. No sales, use, excise, transfer or other tax, fee or imposition shall result from the sale, transfer or purchase of any Acquired Property or any Certificate or Note pursuant to this Agreement, except such taxes, fees or impositions that have been paid in full.

(bb) Casualties, Etc. No Casualty has occurred and is continuing and there is no action pending or, to the best of Lessee's knowledge, threatened by any Governmental Authority to initiate a Casualty.

(cc) Chief Executive Office of Lessee. The principal place of

business and chief executive office, as such terms are used in Section 9-103(3) of the UCC, of Lessee are each located at One Liberty Plaza, Liberty, Missouri 64068.

(dd) Compliance with Law. The Units and the current use and operation thereof and thereon do not violate any Applicable Laws and Regulations in any material respect, including, without limitation, any thereof relating to occupational safety and health or Environmental Laws.

(ee) Subjection to Government Regulation. Neither Agent, Certificate Trustee nor any Participant will, solely by reason of entering into the Operative Documents or consummating the transactions contemplated thereby, become subject to ongoing regulation of its operations by any Governmental Authority or be required to qualify to do business in any jurisdiction.

(ff) Licenses, Registrations and Permits. All material licenses, approvals, authorizations, consents and permits required for the use and operation of each Unit have been obtained from the appropriate Governmental Authorities having jurisdiction or from private parties, as the case may be.

(gg) Appraisal Data. The written information provided by Lessee and its Affiliates to the Appraiser and forming the basis for the conclusions set forth in the Appraisal, taken as a whole, was true and correct in all material respects and did not omit any information known and available to Lessee necessary to make the information provided not misleading.

(hh) Private Offering. Neither Lessee nor anyone authorized to act on its behalf has, directly or indirectly, solicited any offers to acquire, offered or sold: (i) any interest in the Certificates, the Notes, the Units, the Trust Estate, the Lease or the Operative Documents in violation of Section 5 of the Securities Act or any state securities laws, or (ii) any interest in any security or lease the offering of which, for purposes of the Securities Act or any state securities laws, would be deemed to be part of the same offering as the offering of the aforementioned interests. Neither it nor anyone authorized to act on its behalf was involved in (y) offering or soliciting offers for the Certificates or Notes (or any similar securities) or (z) selling Certificates or Notes (or any similar securities) to any Person other than the Certificate Purchasers and Lenders identified and contacted by the Arranger.

(ii) Unit Insurance. The Units are covered by the insurance required by the Lease and all premiums in respect thereof have been paid.

(jj) Nature of Units. The Units constitute movable personal property and not real property or fixtures under the laws of the States where the Units are located.

(kk) Equipment List. The Equipment List delivered on the Delivery Date (except as to serial numbers) is true, correct and complete in all material respects.

Section 4.2. Representations and Warranties of Each Participant. As of the date of its execution of this Agreement, each Participant represents and warrants severally and only as to itself to each of the other parties hereto as follows:

(a) Due Organization, etc. It is duly organized and validly existing under the laws of the jurisdiction of its organization and has full corporate power and authority to enter into and perform its obligations as either a Lender or a Certificate Purchaser (as the case may be) under each Operative Document to which it is or is to be a party and each other agreement, instrument and document to be executed and delivered by it on or before the Delivery Date in connection with or as contemplated by each such Operative Document to which it is or is to be a party.

(b) ERISA. It is purchasing its interest in the Certificate(s) and/or the Note(s) to be acquired by it with assets that are either: (i) not assets of any Employee Benefit Plan (or its related trust) which is subject to Title I of ERISA or Section 4975 of the Code; or (ii) assets of any Employee Benefit Plan (or its related trust) which is subject to Title I of ERISA or Section 4975 of the Code, but there is available an exemption from the prohibited transaction rules under Section 406(a) of ERISA and Section 4975 of the Code and such exemption is immediately applicable to each transaction contemplated by the Operative Documents.

(c) Investment in Notes and Certificates. It is an institutional investor, it has been afforded an opportunity to investigate matters relating to Lessee and any Affiliate thereof and it is acquiring its interest in the Note(s) and/or Certificate(s) to be acquired by it for its own account for investment and not with a view to any distribution (as such term is used in Section 2(11) of the

Securities Act) thereof, and if in the future it should decide to dispose of its interest in such Notes and/or Certificates, it understands that it may do so only in compliance with the Securities Act and the rules and regulations of the SEC thereunder and any applicable state securities laws. It is aware that the Notes and Certificates have not been registered under the Securities Act or qualified or registered under any state or other jurisdiction's securities laws. Neither it nor anyone authorized to act on its behalf has taken or will take any action which would subject the issuance or sale of any Note or Certificate to the registration requirements of Section 5 of the Securities Act. No representation or warranty contained in this Section 4.2(c) shall include or cover any action or inaction of Lessee or any Affiliate thereof whether or not purportedly on behalf of any Participant, Agent, Certificate Trustee or any of their Affiliates. Notwithstanding the foregoing, but subject to the provisions of Article VI hereof, it is understood among the parties that the disposition of its property shall be at all times within its control. It and its respective agents and representatives have such knowledge and experience in financial and business matters as to enable them to utilize the information made available to them in connection with the transactions contemplated hereby, to evaluate the merits and risk of an investment in Notes and/or Certificates and to make an informed decision with respect thereto and such an evaluation and informed decision have been made.

It understands and agrees that the Certificates and Notes will bear a legend that shall read substantially as follows:

"THIS [CERTIFICATE] [NOTE] HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY OTHER STATE SECURITIES OR "BLUE SKY" LAW, AND MAY NOT BE TRANSFERRED, SOLD OR OFFERED FOR SALE IN VIOLATION OF SUCH ACT OR LAWS."

Section 4.3. Representations and Warranties of Certificate Trustee. As of the date of its execution of this Agreement and as of the Delivery Date, First Security Bank, National Association ("Bank"), in its individual capacity and not as Certificate Trustee (with the exception of the last sentence of subsection (c), which representation and warranty is made by Bank solely in its capacity as Certificate Trustee), represents and warrants to each of the other parties hereto as follows:

(a) Chief Executive Office. The Bank's chief executive office and principal place of business and the place where the documents, accounts and records relating to the Overall Transaction are kept is located at 79 South Main Street, Salt Lake City, Utah 84111.

(b) Due Organization, etc. The Bank is a national banking association duly organized and validly existing in good standing under the laws of the United States and has full corporate power and authority to execute, deliver and perform its obligations: (i) in its individual capacity under the Trust Agreement and, to the extent it is a party hereto in its individual capacity, this Agreement, and (ii) acting as Certificate Trustee under the Trust Agreement, under this Agreement and each other Operative Document to which it is or will be a party as Certificate Trustee.

(c) Due Authorization; Enforceability, etc. This Agreement and each other Operative Document to which the Bank is or will be a party have been or will be (to the extent it is to be a party thereto in its individual capacity), duly authorized, executed and delivered by or on behalf of the Bank (in its individual capacity) and are, or upon execution and delivery will be, legal, valid and binding obligations of the Bank (in its individual capacity), enforceable against it in accordance with their respective terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, or similar laws affecting creditors' rights generally and by general equitable principles. The Operative Documents to which the Certificate Trustee is a party constitute the legal, valid and binding obligations of the Certificate Trustee (acting solely as Certificate Trustee under the Trust Agreement, and not in its individual capacity), enforceable against it in accordance with their respective terms, except as such enforceability may be limited by applicable bankruptcy, insolvency or similar laws affecting creditors' rights generally and by general equitable principles.

(d) No Conflict. The execution and delivery by (a) the Bank, in its individual capacity, of the Trust Agreement and, to the extent it is a party hereto in its individual capacity, this Agreement and (b) the Bank, in its capacity as Certificate Trustee, of each Operative Document to which Certificate Trustee is or will be a party, are not and will not be, and the performance by the Bank, in its individual capacity or as Certificate Trustee, as the case may be, of its obligations under each are not and will not be, inconsistent with the articles of association or by-laws of the Bank, do not and will not contravene any Applicable Laws and Regulations of the United States of America or the State of Utah relating to the banking or trust powers of the Bank and do not and will not contravene any provision of, or constitute a default under, any indenture, mortgage, chattel mortgage, deed of trust, lease, conditional sales contract, loan or credit



arrangement or other agreement or instrument to which the Bank is a party or by which it or its properties may be bound or affected.

(e) No Approvals, etc. Neither the execution and delivery by Bank in its individual capacity or (assuming the due authorization, execution and delivery of the Trust Agreement by each Certificate Purchaser) as Certificate Trustee, as the case may be, of any of the Operative Documents to which it is a party requires the consent or approval of, or the giving of notice to or registration with, or the taking of any other action in respect of, any Governmental Authority or other United States of America or Utah body governing its banking practices.

(f) Litigation. There is no action, proceeding or investigation pending or, to its best knowledge, threatened against the Bank (in its individual capacity or as Certificate Trustee) which questions the validity of the Operative Documents, and there is no action, proceeding or investigation pending or, to its best knowledge, threatened which is likely to result, either in any case or in the aggregate, in any material adverse change in the ability of the Bank (in its individual capacity or as Certificate Trustee) to perform its obligations (in either capacity) under the Operative Documents to which it is a party.

(g) Certificate Trustee Liens. The Units are free and clear of all Certificate Trustee Liens attributable to the Bank (in its individual capacity) and no act or omission by it has occurred which would cause a Certificate Trustee Lien attributable to it.

(h) Securities Act. Neither the Bank (in its individual capacity or as a Certificate Trustee) nor anyone authorized to act on its behalf has, directly or indirectly, in violation of Section 5 of the Securities Act or any state securities laws, offered or sold any interest in the Certificates, the Units, the Lease, or the Operative Documents or in any security or lease the offering of which, for purposes of the Securities Act or any state securities laws, would be deemed to be part of the same offering as the offering of the aforementioned securities or lease, or solicited any offer to acquire any of the aforementioned securities or lease.

(i) Taxes. There are no taxes payable by the Bank imposed by the State of Utah or any political subdivision thereof or by the United States of America in connection with the execution and delivery by the Bank of this Participation Agreement or the other Operative Documents to be delivered on the Delivery Date solely because the Bank is a national banking association with its principal place of business in the State of Utah and performs certain of its duties as the Certificate Trustee in the State of Utah and there are no taxes payable by the Bank imposed by the State of Utah or any political subdivision thereof or by the United States of America in connection with the acquisition of its interest in the Trust Estate, and its execution, delivery and performance of the Trust Agreement and any other Operative Document (other than franchise or other taxes based on or services rendered in connection with the transactions contemplated hereby), solely because the Bank is a national banking association with its principal place of business in the State of Utah and performs certain of its duties as Certificate Trustee in the State of Utah.

Section 4.4. Representations and Warranties of Agent. Agent, in its individual capacity, hereby represents and warrants to the Participants as follows:

(a) Organization and Authority. Agent is a banking corporation duly organized and validly existing in good standing under the laws of the State of Nevada and has the power and authority to enter into and perform its obligations under the Operative Documents.

(b) Authorization; Binding Effect. The Operative Documents to which Agent is or will be a party have been or will be, on the date required to be delivered hereby, duly authorized, executed and delivered by Agent, and this Participation Agreement is, and such other Operative Documents are, or, when so executed and delivered by Agent will be, valid, legal and binding agreements of Agent, enforceable against Agent in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and by general principles of equity.

(c) Non-Contravention. Neither the execution and delivery by Agent of the Operative Documents to which it is or will be a party, either in its individual capacity, as Agent, or both, nor compliance with the terms and provisions thereof, conflicts with, results in a breach of, constitutes a default under (with or without the giving of notice or lapse of time or both), or violates any of the terms, conditions or provisions of: (i) the articles of association or by-laws of Agent; (ii) any bond, debenture, note, mortgage, indenture, agreement, lease or other instrument to which Agent, either in its individual capacity, as Agent, or both, is now a party or by which it or its property, either in its individual capacity, as Agent, or both,

is bound or affected, where such conflict, breach, default or violation would be reasonably likely to materially and adversely affect the ability of Agent, either in its individual capacity, as Agent or both, to perform its obligations under any Operative Document to which it is or will be a party, either in its individual capacity, as Agent, or both; or (iii) any of the terms, conditions or provisions of any federal or Nevada law, rule or regulation governing its banking or trust powers, or any order, injunction or decree of any Governmental Authority applicable to it in its individual capacity, as Agent, or both, where such conflict, breach, default or violation would be reasonably likely to materially and adversely affect the ability of Agent, either in its individual capacity, as Agent or both, to perform its obligations under any Operative Document to which it is or will be a party.

(d) Absence of Litigation, etc. There is no litigation (including, without limitation, derivative actions), arbitration or governmental proceedings pending or, to the best knowledge of Agent, threatened against it which would be reasonably likely to adversely affect Agent's ability to perform its obligations under the Operative Documents to which it is party.

(e) Consents, etc. No authorization, consent, approval, license or formal exemption from, nor any filing, declaration or registration with, any federal or Nevada Authority governing its banking or trust powers, is or will be required in connection with the execution and delivery by Agent of the Operative Documents to which it is party or the performance by Agent of its obligations under such Operative Documents.

#### ARTICLE V

##### COVENANTS OF LESSEE

Section 5.1. Financial Statements. Lessee shall deliver to Agent, in form and detail satisfactory to Agent and the Required Participants and consistent with the form and detail of financial statements and projections provided to Agent by Lessee and its Affiliates prior to the Delivery Date, with sufficient copies for each Participant:

(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, 2000), a copy of the audited consolidated balance sheet of Lessee 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 Lessee'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 January 31, 2000), a copy of the unaudited consolidated balance sheet of Lessee 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 Lessee 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 Lessee had one or more Significant Subsidiaries), a copy of an unaudited consolidating balance sheet of Lessee 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 5.1(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 Lessee had one or more Significant Subsidiaries), a copy of the unaudited consolidating balance sheets of Lessee 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 5.1(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, 2000), projected consolidated balance sheets of Lessee 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 Lessee in good faith and based upon Lessee's best estimates and best available information; and

(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, 2000, 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 5.1(a)).

Section 5.2. Certificates; Other Information. Lessee shall furnish to Agent, with sufficient copies for each Participant:

(a) concurrently with the delivery of the financial statements referred to in subsection 5.1(a), a certificate of the Independent Auditor stating that in making the examination necessary therefor no knowledge was obtained of any Lease Default or Lease Event of Default, except as specified in such certificate;

(b) concurrently with the delivery of the financial statements referred to in subsections 5.1(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 Agent and the Required Participants shall require;

(c) promptly, copies of all financial statements and reports that Lessee, 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 Lessee or any Affiliate of Lessee, 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 Lessee, the General Partner, the MLP or any Subsidiary as Agent, at the request of any Participant, may from time to time request.

Section 5.3. Notices. Lessee shall promptly notify Agent:

(a) of the occurrence of any Lease Default or Lease Event of Default, and of the occurrence or existence of any event or circumstance that foreseeably will become a Lease Default or Lease 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 Lessee, the General Partner, the MLP or any Subsidiary; (ii) any dispute, litigation, investigation, proceeding or suspension between Lessee, 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 Lessee, the General Partner, the MLP or any Subsidiary, including pursuant to any applicable Environmental Laws;

(c) of any of the following events affecting Lessee, 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 4.1(g) 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; and

(d) of any material change in accounting policies or financial reporting practices by Lessee or any of its consolidated Subsidiaries.

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 Lessee or any affected Affiliate proposes to take with respect thereto and at what time. Each notice under subsection 5.3(a) shall describe with particularity any and all clauses or provisions of this Agreement or other Operative Document that have been (or foreseeably will be) breached or violated.

Section 5.4. Preservation of Corporate or Partnership Existence, Etc. The General Partner and Lessee shall, and Lessee 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 5.19;

(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 5.19 and sales of assets permitted by Section 5.18;

(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.

Section 5.5. Maintenance of Property. Lessee 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. Lessee and each Subsidiary shall use the standard of care typical in the industry in the operation and maintenance of its facilities. Lessee shall maintain the Units in accordance with the Lease.

Section 5.6. Insurance. Lessee 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. Lessee shall insure the Units in accordance with the Lease.

Section 5.7. Payment of Obligations. Lessee 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 Lessee, 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 Lessee, 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.

Section 5.8. Compliance with Laws. Lessee 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.

Section 5.9. Inspection of Property and Books and Records. Lessee 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 Lessee and such Subsidiary. Lessee shall permit, and shall cause each Subsidiary to permit, representatives and independent contractors of Agent or any Participant 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 Lessee and at such reasonable times during normal business hours and as often as may be reasonably desired, upon reasonable advance notice to Lessee; provided, however, when a Lease Event of Default exists Agent or any Participant may do any of the foregoing at the expense of Lessee at any time during normal business hours and without advance notice.

Section 5.10. Environmental Laws. Lessee shall, and shall cause each Subsidiary to, conduct its operations and keep and maintain its property in material compliance with all Environmental Laws.

Section 5.11. Use of Proceeds. Lessee shall use the proceeds of the sale of the Units, the Certificates and the Notes for working capital and other general partnership purposes, in each case not in contravention of any Requirement of Law or of any Operative Document.

Section 5.12. Financial Covenants.

(a) Leverage Ratio. Lessee shall maintain as of the last day of each fiscal quarter a Leverage Ratio equal to or less than 4.75 to 1.00 (or, if the Thermogas Acquisition shall have been consummated on or prior to January 31, 2000, Lessee shall be required to maintain from and after the date of such Thermogas Acquisition a Leverage Ratio equal to or less than (i) 5.25 to 1.00 as of the last day of each fiscal quarter ending on or prior to January 31, 2000, (ii) 5.10 to 1.00 as of the last day of each fiscal quarter ending during the period commencing on February 1, 2000 and ending on January 31, 2001 and (iii) 4.75 to 1.00 as of the last day of each fiscal quarter ending after January 31, 2001).

(b) Interest Coverage Ratio. Lessee shall maintain, as of the last day of each fiscal quarter of Lessee, 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 (or, if the Thermogas Acquisition shall have been consummated on or prior to January 31, 2000, Lessee shall be required to maintain from and after the date of such Thermogas Acquisition an Interest Coverage Ratio of at least 2.25 to 1.00 for each such period of four fiscal quarters ending on or prior to January 31, 2001 and 2.50 to 1.00 for each such period of four fiscal quarters ending after January 31, 2001).

Section 5.13. [Intentionally Reserved].

Section 5.14. Other General Partner Obligations. (a) The General Partner shall cause Lessee 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 Lessee, and that its obligations hereunder as general partner are full recourse obligations to the same extent as those of Lessee.

(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 Operative Documents, and that it will remain Solvent until all Obligations hereunder and under the other Operative Documents shall have been repaid in full.

(c) The General Partner, for so long as it is the general partner of Lessee, (i) agrees that its sole business will be to act as the general partner of Lessee, the MLP and any further limited partnership of which Lessee 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 Lessee), (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 Lessee or partnership interests in the MLP or any further limited partnership of which Lessee 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 and under the other Operative Documents 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 Lessee) the ability of Lessee 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 Lessee 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.

Section 5.15. Monetary Judgments. If one or more judgments, orders, decrees or arbitration awards is entered against Lessee 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 Lessee 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.

Section 5.16. Year 2000 Compliance. Lessee 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 Lessee 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 Participant, Lessee and its Subsidiaries shall provide to such Participant such updated information or documentation as is requested regarding the status of their efforts to address the Year 2000 Problem (as defined in Section 4.1(w)).

Section 5.17. Limitation on Liens. Lessee 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 (x) in the case of the Units or the other Lessee Collateral, Permitted Liens, and (y) in the case of any other property of Lessee or such Subsidiary, the following ("Permitted Encumbrances"):

- (a) Liens existing on the Restatement Effective Date set forth in Schedule 8.01 of the Existing Credit Agreement;
- (b) Liens in favor of Lessee or Liens to secure Indebtedness of a Subsidiary to Lessee or a Wholly-Owned Subsidiary;
- (c) Liens on property of a Person existing at the time such Person is merged into or consolidated with Lessee 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 Lessee;
- (d) Liens on property existing at the time acquired by Lessee 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 Lessee 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 Lessee or such Subsidiary to secure the purchase price or other obligation of Lessee 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 Lessee 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 Lessee or any of its Subsidiaries or impair the use of such property in the operation of the business of Lessee 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 Lessee 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 Lessee and its Subsidiaries 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 5.21; provided, that in each case such Lien does not extend to any other property or asset of Lessee and its Subsidiaries;

(l) judgment Liens to the extent that such judgments do not cause or constitute a Lease Default or Lease Event of Default;

(m) Liens incurred in the ordinary course of business of Lessee 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 Lessee 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 5.21 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;

(p) Liens in favor of the Administrative Agent under the Credit Agreement, any Issuing Bank and the Credit Agreement Banks relating to the Cash Collateralization of Lessee's obligations under the Credit Agreement or Liens created by the Operative Documents; and

(q) Liens securing Indebtedness of an SPE in connection with an Accounts Receivable Securitization permitted by Section 5.21 (including the filing of any related financing statements naming Lessee as the debtor thereunder in connection with the sale of accounts receivable by Lessee to such SPE in connection with any such permitted Accounts Receivable Securitization); provided that the aggregate amount of accounts receivable subject to all such Liens shall at no time exceed 133% of the amount of Accounts Receivable Securitizations permitted to be outstanding under such Section 5.21.

Section 5.18. Asset Sales. Lessee 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 Lessee shall be governed by the provisions of Section 5.19 hereof and not by the provisions of this Section 5.18), 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) Lessee (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 Agent) of the assets sold or otherwise disposed of and (Y) at least 80% of the consideration therefor received by Lessee or such Subsidiary is in the form of cash; provided, however, that the amount of (1) any liabilities (as shown on Lessee's or such Subsidiary's most recent balance sheet or in the notes thereto), of Lessee or any Subsidiary (other than liabilities that are by their terms subordinated in right of payment to the Obligations hereunder and under the other Operative Documents) that are assumed by the transferee of any such assets and (2) any notes or other obligations received by Lessee or any such Subsidiary from such transferee that are immediately converted by Lessee 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 (w)

sales or transfers of accounts receivable by Lessee to an SPE and by an SPE to any other Person in connection with any Accounts Receivable Securitization permitted by Section 5.21 (provided that the aggregate amount of such accounts receivable that shall have been transferred to and held by all SPEs at any time shall not exceed 133% of the amount of Accounts Receivable Securitizations permitted to be outstanding under Section 5.21), (x) any transfer of assets by Lessee or any of its Subsidiaries to a Subsidiary of Lessee that is a Guarantor under the Credit Agreement, (y) any transfer of assets by Lessee or any of its Subsidiaries to any Person in exchange for other assets used in a line of business permitted under Section 5.31 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 Lessee Investment or any sale-leaseback (including sale-leasebacks involving Synthetic Leases) permitted by Section 5.33. Notwithstanding the foregoing, Lessee may not sell, lease, convey or otherwise dispose of any Unit except as permitted by the Lease.

Section 5.19. Consolidations and Mergers. (a) Lessee shall not consolidate or merge with or into (whether or not Lessee 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) Lessee is the surviving Person, or the Person formed by or surviving any such consolidation or merger (if other than Lessee) 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 Lessee) or Person to which such sale, assignment, transfer, lease, conveyance or other disposition shall have been made assumes all the Obligations of Lessee under this Agreement and the other Operative Documents pursuant to an assumption agreement in a form reasonably satisfactory to Agent; (iii) immediately after such transaction no Lease Default or Lease Event of Default exists; and (iv) Lessee 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 Lessee 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 5.12(a).

(b) Lessee shall deliver to Agent prior to the consummation of the proposed transaction pursuant to the foregoing paragraph (a) an officers' certificate to the foregoing effect signed by a Responsible Officer and an opinion of counsel satisfactory to Agent stating that the proposed transaction complies with this Agreement. Agent, Certificate Trustee and the Participants shall be entitled to conclusively rely upon such officer's certificate and opinion of counsel.

(c) Upon any consolidation or merger, or any sale, assignment, transfer, lease, conveyance or other disposition of all or substantially all of the assets of Lessee in accordance with this Section 5.19, the successor Person formed by such consolidation or into or with which Lessee 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 and the other Operative Documents referring to the "Lessee" shall refer to or include instead the successor Person and not Lessee), and may exercise every right and power of Lessee under this Agreement with the same effect as if such successor Person had been named as Lessee herein; provided, however, that the predecessor Lessee shall not be relieved from the obligation to pay Rent or perform the other Obligations except in the case of a sale of all of such Lessee's assets that meets the requirements of this Section 5.19 hereof.

Section 5.20. Acquisitions. Without limiting the generality of any other provision of this Agreement, neither Lessee 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 Lease Default or Lease Event of Default will occur or be continuing and each of the representations and warranties of Lessee herein is true on and as of the date of such Acquisition, both before and after giving effect thereto. Nothing in Section 5.38 shall prohibit (x) the making by Lessee 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 Lessee 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 or a Participant and, upon such assumption, is (to the extent such Acquired Debt is not otherwise permitted to be incurred by Lessee pursuant to this Agreement) immediately repaid (with the proceeds of Revolving Loans or otherwise).

Section 5.21. Limitation on Indebtedness. Lessee 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 Lessee shall not issue any Disqualified Interests and shall not permit any of its Subsidiaries to issue any shares of preferred stock; provided, however, that Lessee and any Subsidiary of Lessee 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 5.12(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 Lessee and its Subsidiaries and (2) all Indebtedness for which Lessee and any Subsidiary of Lessee 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 Lessee 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 Lessee or any Subsidiary of Lessee 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, and (z) the aggregate amount of Indebtedness of Lessee and its Subsidiaries through one or more SPEs in connection with Accounts Receivable Securitizations shall not exceed \$60,000,000 at any one time outstanding.

Section 5.22. Transactions with Affiliates. Lessee 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 Lessee or the relevant Subsidiary than those that would have been obtained in a comparable transaction by Lessee 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, Lessee delivers to Agent and the Participants an opinion as to the fairness to Lessee 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 Lessee or any of its Subsidiaries in the ordinary course of business and consistent with the past practice of Lessee (or the General Partner) or such Subsidiary, Restricted Payments permitted by the provisions of Section 5.28, and transactions entered into by Lessee 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 Lessee, its Subsidiaries and its Affiliates, in each case, shall not be deemed Affiliate Transactions, and (ii) nothing herein shall authorize the payments by Lessee to the General Partner or any other Affiliate of Lessee for administrative expenses incurred by such Person other than such out-of-pocket administrative expenses as such Person shall incur and Lessee shall pay in the ordinary course of business; and provided, further, that the foregoing provisions of this Section 5.22 shall not apply to transfers of accounts receivable of Lessee to an SPE in connection with any Accounts Receivable Securitization permitted by Section 5.21.

Section 5.23. Use of Proceeds. Lessee shall not, and shall not suffer or permit any Subsidiary to, use any portion of the proceeds of the sale of the Units, the Certificates or the Notes, directly or indirectly, (i) to purchase or carry Margin Stock, (ii) to repay or otherwise refinance indebtedness of Lessee 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.

Section 5.24. Use of Proceeds - Ineligible Securities. Lessee shall not, directly or indirectly, use any portion of the proceeds of the sale of the Units, the Certificates or the Notes (i) knowingly to purchase Ineligible Securities from the Credit Agreement Arranger or the Documentation Agent during any period in which the Credit Agreement 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 Credit Agreement Arranger or the Documentation Agent, or (iii) to make payments of principal or interest on Ineligible Securities underwritten or privately placed by the Credit Agreement Arranger or the Documentation Agent and issued by or for the benefit of Lessee or any Affiliate of Lessee.

Section 5.25. Contingent Obligations. Lessee 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 Agent, Hedging Obligations entered into in the ordinary course of business as bona fide hedging transactions;

(c) the Guaranties under the Credit Agreement; and

(d) Guaranty Obligations to the extent not prohibited by

Section 5.21.

Section 5.26. Joint Ventures. Lessee shall not, and shall not suffer or permit any Subsidiary to enter into any Joint Venture.

Section 5.27. Lease Obligations. The aggregate obligations of Lessee and its Subsidiaries for the payment of rent for any property under lease or agreement to lease (excluding obligations of Lessee 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 Lessee 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 5.27. For purposes of this Section 5.27, 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 Lessee 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.

Section 5.28. Restricted Payments. Lessee 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 Lessee's or any Subsidiary's Equity Interests (other than (x) dividends or distributions payable in Equity Interests (other than Disqualified Interests) of Lessee, (y) dividends or distributions payable to Lessee or a Wholly-Owned Subsidiary of Lessee 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 Lessee or any Subsidiary or other Affiliate of Lessee (other than, subject to compliance with Section 5.37, any such Equity Interests owned by a Wholly-Owned Subsidiary of Lessee that is a Guarantor); (iii) make any investment other than a Permitted Lessee 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 Lease Default or Lease Event of Default shall have occurred and be continuing or would occur as a consequence thereof and each of the representations and warranties of Lessee 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 Lessee for Lessee'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 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 5.28) made by Lessee 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 Lessee for the immediately preceding fiscal quarter plus (y) the lesser of (i) the amount of any Available Cash of Lessee during the first 45 days of such fiscal quarter and (ii) the excess of the aggregate amount of Credit Agreement Loans that Lessee could have borrowed over the actual amount of Credit Agreement Loans outstanding, in each case as of the last day of the immediately preceding fiscal quarter; and

(d) such Restricted Payment (other than (x) Restricted Payments described in clause (i) of the first paragraph of this Section 5.28 made during the fiscal quarter ending January 31, 1997 that do not exceed \$26,000,000 in the aggregate or (y) any Restricted Payments described in clauses (iii) or (iv) of the first paragraph of this Section 5.28) the amount of which, if made other than with cash, will be determined in accordance with clause (c) of this Section 5.28 shall not exceed an amount equal to (1) Consolidated Cash Flow of Lessee 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 Lessee 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 Lessee and its Subsidiaries during the Determination Period plus the aggregate of all other Restricted Payments (other than (x) Restricted Payments described in clause (i) of the first paragraph of this Section 5.28 made during the fiscal quarter ending January 31, 1997 that do not exceed \$26,000,000 in the aggregate or (y) any Restricted Payments described in clauses (iii) or (iv) of the first paragraph of this Section 5.28) made by Lessee 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 Lessee and its Subsidiaries at July 31, 1996 over consolidated working capital of Lessee 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 Lessee and its Subsidiaries at the end of the fiscal year immediately preceding the date of the proposed Restricted Payment over consolidated working capital of Lessee and its Subsidiaries at July 31, 1996. For purposes of this subsection 5.28(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 business 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 Lessee 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 Lessee in exchange for, or out of the proceeds of, the substantially concurrent sale (other than to a Subsidiary of Lessee) of other Equity Interests of Lessee (other than any Disqualified Interests).

Not later than the date of making any Restricted Payment, the General Partner shall deliver to 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 5.28 were computed, which calculations may be based upon Lessee's latest available financial statements.

Section 5.29. Prepayments of Subordinated Indebtedness. Lessee 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 5.21 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.

Section 5.30. Dividend and Other Payment Restrictions Affecting Subsidiaries. Lessee 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 Lessee 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 Lessee or any of its Subsidiaries, (c) make loans or advances to Lessee or any of its Subsidiaries or (d) transfer any of its properties or assets to Lessee or any of its Subsidiaries, except for such encumbrances or restrictions existing under or by reason of (i) Existing Indebtedness, (ii) the Operative Documents, the Credit 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 Lessee 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 5.21 hereof, provided that such restrictions are no more restrictive than those contained in this Agreement.

Section 5.31. Change in Business. Lessee 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 Lessee and its Subsidiaries on the date hereof.

Section 5.32. Accounting Changes. Lessee 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 Lessee or of any Subsidiary except as required by the Code.

Section 5.33. Limitation on Sale and Leaseback Transactions. Lessee will not, and will not permit any of its Subsidiaries to, enter into any arrangement with any Person providing for the leasing by Lessee or such Subsidiary of any property that has been or is to be sold or transferred by Lessee or such Subsidiary to such Person in contemplation of such leasing; provided, however, that Lessee or such Subsidiary may enter into such sale and leaseback transaction if: (i) Lessee 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 5.12(a) and (B) secured a Lien on such Indebtedness pursuant to Section 8.17; (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; or (iii) such sale and leaseback transaction is otherwise permitted by the last sentence of Section 4.17 of the 1996 Indenture as in effect as of the date hereof.

Section 5.34. [Intentionally Omitted].

Section 5.35. Amendments of Organization Documents or 1996 Indenture or 1998 Note Purchase Agreement. Lessee shall not modify, amend, supplement or replace, nor permit any modification, amendment, supplement or replacement of the Organization Documents of the General Partner, Lessee or any Subsidiary of Lessee, 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 Participants, Lessee'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 Agent and the Required Participants. Furthermore, the Lessee shall not permit any modification, amendment, supplement or replacement of the Organization Documents of the MLP that would have a material effect on Lessee without the prior written consent of Agent and the Required Participants.

Section 5.36. [Intentionally Omitted].

Section 5.37. Operations through Subsidiaries. Lessee shall not conduct any of its operations through Subsidiaries unless: (a) such Subsidiary executes a Guaranty substantially in the form of Exhibit G to the Credit Agreement guaranteeing payment of the Obligations, accompanied by an opinion of counsel to the Subsidiary addressed to Agent and the Participants 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 5.21; (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 Lessee 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 Lessee and its Subsidiaries for such fiscal year, as determined in accordance with GAAP; provided, however, that Lessee may, without regard to the foregoing provisions of this Section 5.37, (x) establish and operate SPEs solely in connection with Accounts Receivable Securitizations permitted by Section 5.21 and (y) operate Thermogas as a Wholly-Owned Subsidiary for a period of up to (but not exceeding) 30 days following the consummation of the Thermogas Acquisition pending the merger of Thermogas with and into Lessee.

Section 5.38. Operations of MLP. Except in connection with an indirect Acquisition permitted by Section 5.20, the General Partner and Lessee 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 Lessee and its Subsidiaries within a 25 mile radius of any business conducted by Lessee and its Subsidiaries. In order to comply with this Section 5.38, Lessee 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, Lessee shall have first obtained at its expense an opinion from a nationally recognized investment banking firm, addressed to it, Agent and the Participants and opining

without material qualification and based on assumptions that are realistic at the time, that the exchange or swap transactions are fair to Lessee 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 Required Participants, Agent shall have first retained, at Lessee's expense, an investment banking firm on behalf of the Participants who shall also have rendered an opinion containing the statements and content referred to in clause (i).

#### Section 5.39. Miscellaneous.

(a) Further Assurances. The Lessee, at its cost and expense, will cause to be promptly and duly taken, executed, acknowledged and delivered all such further acts, documents and assurances as Certificate Trustee or Agent reasonably may request from time to time in order to carry out more effectively the intent and purposes of this Agreement and the other Operative Documents and the Overall Transaction. The Lessee, at its cost and expense, will cause all financing statements (including precautionary financing statements), fixture filings, mortgages and other documents, to be recorded or filed at such places and times in such manner, and will take all such other actions or cause such actions to be taken, as may be necessary or as may be reasonably requested by Agent or Certificate Trustee in order to establish, preserve, protect and perfect the title and Lien of Agent in the Units, the Lessee Collateral and the Lessor Collateral and Certificate Trustee's, Agent's and/or any Participant's rights under this Agreement and the other Operative Documents.

(b) Change of Name or Address. Lessee shall provide Agent thirty (30) days' prior written notice of any change in name, or the address of its chief executive office and principal place of business or the office where it keeps its records concerning its accounts and the Units.

(c) Securities. Lessee shall not, nor shall it permit anyone authorized to act on its behalf to, take any action which would subject the issuance or sale of the Notes or Certificates, the Units, the Trust Estate or the Operative Documents, or any security or lease the offering of which, for purposes of the Securities Act or any state securities laws, would be deemed to be part of the same offering as the offering of the aforementioned items to the registration requirements of Section 5 of the Securities Act or any state securities laws.

(d) Rates. With respect to each determination of Interest and Yield pursuant to this Agreement, the Loan Agreement, the Trust Agreement and Basic Rent under the Lease, Lessee agrees to be bound by Sections 2.6 and 2.7 of the Loan Agreement, Sections 2.4 and 2.5 of the Trust Agreement, and Sections 2.8 and 2.9 hereof and the applicable definitions in Appendix 1.

Section 5.40. 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 the Lease such that the covenants contained in Section 5.12 would then be calculated in a different manner or with different components, (i) Lessee and the Participants agree to amend this Agreement in such respects as are necessary to conform those covenants as criteria for evaluating Lessee's financial condition to substantially the same criteria as were effective prior to such change in GAAP and (ii) Lessee shall be deemed to be in compliance with the covenants contained in Section 5.12 during the 90-day period following any such change in GAAP if and to the extent that Lessee 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 Lessee.

### ARTICLE VI

#### OTHER COVENANTS AND AGREEMENTS

Section 6.1. Cooperation with Lessee. (a) Certificate Trustee, Agent and each Participant shall, to the extent reasonably requested by Lessee (but without assuming additional liability on account thereof), at Lessee's expense, cooperate to allow Lessee to (a) perform its covenants contained in Section 5.39(a), including, without limitation, at any time and from time to time, upon the reasonable request of Lessee, to promptly and duly execute and deliver any and all such further instruments, documents and financing statements (and continuation statements related thereto) as Lessee may reasonably request in order to perform such covenants.

(b) Without limiting the generality of the foregoing, Agent and Certificate Trustee shall, upon the request of Lessee and at Lessee's expense, execute and deliver UCC partial termination statements releasing any propane tank which is not a Unit from the coverage of any Financing Statement filed in connection with the transactions contemplated by the Operative Documents.

#### Section 6.2. Covenants of Certificate Trustee and Agent.

(a) Discharge of Liens. Certificate Trustee, in its trust capacity, will not create or permit to exist at any time, and will promptly take such

action as may be necessary duly to discharge, or to cause to be discharged, all Certificate Trustee Liens attributable to it and will cause restitution to be made to the Trust Estate in the amount of any diminution of the value thereof as a result of its failure to comply with its obligations under this Section 6.2(a). The Bank, in its individual capacity, will not create or permit to exist at any time, and will, at its own cost and expense, promptly take such action as may be necessary duly to discharge, or to cause to be discharged, all Certificate Trustee Liens attributable to it and will cause restitution to be made to the Trust Estate in the amount of any diminution of the value thereof as a result of its failure to comply with its obligations under this Section 6.2(a). Agent, in its individual capacity, will not create or permit to exist at any time, and will, at its own cost and expense, promptly take such action as may be necessary duly to discharge, or to cause to be discharged, all Certificate Trustee Liens attributable to it and will cause restitution to be made to the Trust Estate in the amount of any diminution of the value thereof as a result of its failure to comply with its obligations under this Section 6.2(a). Notwithstanding the foregoing, none of Certificate Trustee, Agent or the Bank, as the case may be, shall be required to so discharge any such Certificate Trustee Lien while the same is being contested in good faith by appropriate proceedings diligently prosecuted so long as such proceedings shall not involve any meaningful danger of the sale, forfeiture or loss of, and shall not interfere with the use or disposition of, the Units, the Lease or the Trust Estate or title thereto or any interest therein or the payment of Rent.

(b) Trust Agreement. Without prejudice to any right under the Trust Agreement of Certificate Trustee to resign, or the Certificate Purchasers' right under the Trust Agreement to remove Certificate Trustee, each of the Certificate Purchasers and Certificate Trustee hereby agrees with Lessee: (i) except as permitted by the Trust Agreement not to terminate or revoke the trust created by the Trust Agreement prior to the Lease Expiration Date, (ii) not to amend, supplement, terminate or revoke or otherwise modify any provision of the Trust Agreement prior to the Lease Expiration Date in such a manner as to materially and adversely affect the rights of Lessee, (iii) except as otherwise expressly authorized under the Operative Documents, not to withdraw from the Trust Estate any funds other than amounts payable to it by Certificate Trustee as distributions of Basic Rent and Supplemental Rent without the prior written consent of Lessee and (iv) to comply with all of the terms of the Trust Agreement applicable to it the nonperformance of which would adversely affect such party.

(c) Successor Certificate Trustee. Certificate Trustee or any successor may resign or be removed by the Certificate Purchasers as Certificate Trustee, a successor Certificate Trustee may be appointed, and a corporation may become Certificate Trustee under the Trust Agreement, only (and, so long as no Lease Event of Default has occurred and is continuing, with the written consent of Lessee) in accordance with the provisions of Article IV of the Trust Agreement.

(d) Indebtedness; Other Business. Certificate Trustee on behalf of the Trust shall not contract for, create, incur or assume any indebtedness, or enter into any business or other activity, other than pursuant to or under the Operative Documents and, for the benefit of Lessee and the Certificate Purchasers, agrees to be bound by Section 1.2(b) of the Trust Agreement.

(e) Change of Principal Place of Business. Certificate Trustee shall give prompt notice to the Participants and Lessee if Certificate Trustee's principal place of business or chief executive office, or the office where the records concerning the accounts or contract rights relating to the Units or the Overall Transaction are kept, shall cease to be located at its address in the State of Utah set forth on Schedule II or if it shall change its name or identity.

(f) Depreciation. Neither Certificate Trustee nor any Participant shall claim any federal or state tax attributes or benefits (including depreciation) relating to the Units in respect of any period prior to the Lease Expiration Date unless required to do so by an appropriate taxing authority or after a clearly applicable change in Applicable Laws and Regulations or as a protective response to a proposed adjustment by a Governmental Authority; provided, however, that if an appropriate taxing authority shall require Certificate Trustee or any Participant to claim any such federal or state tax attributes or benefits, such Person shall promptly notify Lessee thereof and shall permit Lessee to contest such requirement in a manner similar to the contest rights provided in, and subject to any applicable limitation to a context contained in, Section 7.2(b) hereof.

Section 6.3. Assignments. (a) All or any part of the interest of any Lender in, to or under this Participation Agreement, the other Operative Documents, the Units or the Notes may be assigned or transferred by such Lender at any time to an Eligible Assignee; provided, however, that (i) each assignment or transfer shall comply with all applicable securities laws and ERISA; (ii) each assignment or transfer shall consist of a transfer of equivalent portions of such Lender's rights and obligations under the Loan Agreement (if applicable to such Lender); and (iii) each assignment or transfer of Loans shall be in a minimum aggregate amount of \$2,000,000 and \$500,000 integral multiples in excess thereof (or, if less, the aggregate amount of Loans then held by the assignor or transferor Lender), unless such assignment or transfer is between Lenders and/or their Affiliates; and provided further that so long as no Lease Default or Lease Event of Default exists, any such transfer or assignment (other than a transfer or assignment to a Participant or an Affiliate of the transferor) shall be subject to the consent of Lessee, which shall not be unreasonably withheld. Such

assignment or transfer shall be pursuant to documentation in the form of Exhibit K, duly executed by the assignee or transferee.

(b) Any Certificate Purchaser may assign or transfer all or any part of its interest in, to and under this Participation Agreement, the other Operative Documents, the Units and the Certificates at any time to an Eligible Assignee; provided, however, that (i) each assignment or transfer shall comply with all applicable securities laws and ERISA; (ii) each assignment or transfer shall consist of a transfer of equivalent portions of such Certificate Purchaser's rights and obligations under the Trust Agreement (if applicable to such Lender); and (iii) each assignment or transfer of Certificate Amounts shall be in a minimum aggregate amount of \$75,000 and \$10,000 integral multiples in excess thereof (or, if less, the aggregate amount of Certificates then held by the assignor or transferor Certificate Purchaser), unless such assignment or transfer is between Certificate Purchasers and/or their Affiliates; and provided further that so long as no Lease Default or Lease Event of Default exists, any such transfer or assignment (other than a transfer or assignment to a Participant or an Affiliate of the transferor) shall be subject to the consent of Lessee, which shall not be unreasonably withheld. Such assignment or transfer shall be pursuant to documentation in the form of Exhibit K, duly executed by the assignee or transferee.

Section 6.4. Participations. Each Participant may sell, transfer or assign a participation in all or a portion of the interests represented by its Notes and/or Certificates or any right to payment thereunder (a "Participation") to any Person (a "Participation Holder"). In the event of any such sale by a Participant of a Participation to a Participation Holder, the obligations of such Participant under this Participation Agreement and under the other Operative Documents shall remain unchanged, such Participant shall remain solely responsible for the performance thereof, such Participant shall remain the holder of its Note and/or Certificate for all purposes under this Participation Agreement and under the other Operative Documents, and Certificate Trustee and Agent shall continue to deal solely and directly with such Participant in connection with such Participation Holder's rights and obligations under this Trust Agreement, under the Loan Agreement and under the other Operative Documents, as applicable.

## ARTICLE VII

### INDEMNIFICATION

Section 7.1. General Indemnification. Whether or not the transactions contemplated hereby are consummated, to the fullest extent permitted by Applicable Laws and Regulations, Lessee hereby assumes liability for and agrees to indemnify, protect, defend, save and keep harmless each Indemnitee on an after-tax basis (in accordance with Section 7.4) from and against, any and all Claims of every kind and nature whatsoever that may be imposed on, incurred by, or asserted against any Indemnitee, which are not directly and primarily caused by (i) the fraud, gross negligence or willful misconduct of such Indemnitee (provided that the indemnification provided under this Section 7.1 shall specifically include matters based on or arising from the negligence of any Indemnitee), (ii) the breach by such Indemnitee of any representation, warranty or covenant set forth in any Operative Document or (iii) the violation by such Indemnitee of any Applicable Laws and Regulations, whether or not such Indemnitee shall also be indemnified as to any such Claim by any other Person and whether or not such Claim arises or accrues prior to the Delivery Date or after the Lease Expiration Date, and which relates in any way to or arises in any way out of:

(a) any of the Operative Documents or any of the transactions contemplated thereby, or any investigation, litigation or proceeding in connection therewith, and any amendment, modification or waiver in respect thereof;

(b) the Acquired Property or any Part thereof or interest therein;

(c) the acquisition, mortgaging, design, manufacture, re-manufacture, construction, preparation, installation, inspection, delivery, non-delivery, acceptance, rejection, purchase, ownership, possession, rental, lease, sublease, transportation, repossession, maintenance, repair, alteration, modification, addition or substitution, storage, transfer of title, registration or re-registration, redelivery, use, operation, condition, financing, refinancing, sale (including, without limitation, any sale pursuant to the Lease), return or other application or disposition of the Units or any Unit or Part thereof or the imposition of any Lien (or incurring of any liability to refund or pay over any amount as a result of any Lien) on any of the Units, including, without limitation, (i) Claims or penalties arising from any violation of Applicable Laws and Regulations or in tort (strict liability or otherwise), (ii) loss of or damage to the environment (including, without limitation, investigation costs, cleanup costs, response costs, remediation and removal costs, costs of corrective action, costs of financial assurance, and all other damages, costs, fees and expenses, fines and penalties, including natural resource damages), or death or injury to any Person, and any mitigative

action required by or under Environmental Laws, (iii) latent or other defects, whether or not discoverable, and (iv) any Claim for patent, trademark or copyright infringement;

(d) the sale or other disposition of any of the Acquired Property, including, without limitation, any disposition pursuant to the Sale Option, Purchase Option or as a result of the exercise of remedies;

(e) the offer, issuance, sale or delivery of the Certificates or the Notes;

(f) the breach by Lessee of any representation or warranty made by it or deemed made by it in any Operative Document;

(g) the transactions contemplated hereby or by any other Operative Document in respect of the application of Parts 4 and 5 of Subtitle B of Title I of ERISA and any prohibited transaction described in Section 4975(c) of the Code;

(h) any Claims related to the Release from any Unit of any substance into the environment, including (without limitation) Claims arising out of the use of any Unit for the transportation or storage of any Hazardous Material;

(i) any failure on the part of Lessee to perform or comply with any of the terms of any Operative Document; or

(j) any other agreement entered into or assumed by Lessee in connection with any Unit.

It is expressly understood and agreed that this Section 7.1 shall not apply to Claims in respect of:

(A) Taxes (such Claims being subject to Section 7.2), except with respect to (1) taxes or penalties included in Claims described in clause (g) above, and (2) any payment necessary to make payments under this Section 7.1 in accordance with Section 7.4; and

(B) as to an Indemnitee, Certificate Trustee Liens which such Indemnitee is responsible for discharging under the Operative Documents.

Section 7.2. General Tax Indemnity. (a) Lessee shall pay, defend and indemnify and hold each Indemnitee harmless on an after-tax basis (in accordance with Section 7.4) from any and all Federal, state, local and foreign Taxes imposed on or with respect to or in connection with any Indemnitee, the Acquired Property or any portion thereof, any Operative Document, Lessee or any sublessee or user of any Unit, howsoever imposed, whether levied or imposed upon or asserted against any Indemnitee, any Acquired Property, or any Part thereof, by any taxing Governmental Authority (including any Federal, state or local government or taxing Governmental Authority in the United States and any taxing Governmental Authority or governmental subdivision of a foreign country), upon or with respect to:

(i) the acquisition, mortgaging, design, manufacture, re-manufacture, construction, preparation, installation, inspection, delivery, non-delivery, acceptance, rejection, purchase, ownership, possession, rental, lease, sublease, repossession, maintenance, repair, alteration, modification, addition or substitution, storage, titling or retitling, transfer of title, registration or re-registration, redelivery, use, operation, condition, financing, refinancing, sale, return or other application or disposition of the Units or any Unit or Part thereof or any other Acquired Property or the imposition of any Lien (or incurrence of any liability to refund or pay over any amount as a result of any Lien) thereon,

(ii) Basic Rent or Supplemental Rent or the receipts or earnings arising from or received with respect to the Units or any Unit or any Part thereof, or any interest therein or any applications or dispositions thereof,

(iii) any other amount paid or payable pursuant to the Lease, the Certificates, the Notes or any other Operative Documents,

(iv) the Units or any Unit or any Part thereof or any other Acquired Property or any interest therein,

(v) all or any of the Operative Documents, any other documents contemplated thereby and any amendments and supplements thereto, and

(vi) otherwise with respect to or in connection with the transactions contemplated by the Operative Documents;

provided, that the indemnification obligation of this Section 7.2(a) shall not apply to (1) Taxes which are based upon or measured by the Indemnitee's net income or which are expressly in substitution for, or relieve Indemnitee from, any actual Tax based upon or measured by Indemnitee's net income (other than any



such Taxes imposed by means of withholding); (2) Taxes characterized under local law as franchise, net worth, or shareholder's capital (excluding, however, any value-added, license, property or similar Taxes); and (3) if no Lease Event of Default exists, Taxes based upon the voluntary transfer, assignment or disposition by Lessor or any Participant of any interest in any of the Units, the Certificates or the Notes (other than transfers pursuant to the exercise of the Sale Option or the Purchase Option, or any other transfer to Lessee or otherwise pursuant to the Lease). Notwithstanding the proviso of the preceding sentence of this Section 7.2(a), Lessee shall pay or reimburse, and indemnify and hold harmless,

(A) any Indemnitee against any Tax based on, or measured by the net income of, such Indemnitee imposed by any Federal, state or local taxing Authority in the United States (or any taxing Governmental Authority in any other jurisdiction in which such Indemnitee maintains its principal place of business) to the extent such Tax would not have been imposed if on the Delivery Date the Participants had advanced funds directly to Lessee in the form of a loan secured by the Units in an amount equal to the aggregate amount funded by the Participants on the Delivery Date, with the debt service for such loan equal to the rents provided under the Lease and a principal balance due at the end of such term in an amount equal to the Lease Balance remaining at the end of the Lease Term, or

(B) any Indemnitee which is not incorporated under the laws of the United States or a State thereof and which has complied with Section 7.2(c), from any deduction or withholding of any United States Federal income tax.

All of the indemnities contained in this Section 7.2 shall continue in full force and effect notwithstanding the expiration or earlier termination of the Lease and the other Operative Documents in whole or in part, including the termination of the Lease with respect to any Unit or all of the Units, and are expressly made for the benefit of, and shall be enforceable by, each Indemnitee.

(b) On or before October 1 of each year occurring during the Lease Term, Lessee will deliver to Certificate Trustee and Agent an Officer's Certificate stating that Lessee has filed all reports or returns and paid all material Taxes which are due and payable and which Lessee is (i) required to indemnify hereunder and (ii) permitted to so file and pay pursuant to Applicable Laws and Regulations. If Lessee is not permitted by Applicable Laws and Regulations to file any report or return required to be made with respect to any Tax with respect to which Lessee is required to indemnify hereunder, Lessee shall prepare such reports or returns for signature by Agent, Certificate Trustee or the applicable Participant and shall forward the same, together with immediately available funds for payment of any Tax due, to Agent, Certificate Trustee or such Participant, at least ten (10) days in advance of the date such payment is to be made. Upon written request, Lessee shall furnish Agent, Certificate Trustee or any Participant with copies of all reports, returns, paid receipts or other appropriate evidence of payment for all Taxes paid by Lessee pursuant to this Section 7.2.

(c) At least five (5) Business Days prior to the first date on which any payment is due on any Note or Certificate for the account of any Participant not incorporated under the laws of the United States or a State thereof, such Participant agrees that it will have delivered to each of Lessee and Agent two duly completed copies of United States Internal Revenue Service Form 1001 or 4224, certifying in the case of a Form 1001 that such Participant is entitled to receive payments under the Operative Documents without deduction or withholding of any United States Federal income taxes, or at a reduced rate, if applicable. Each Participant which so delivers a Form 1001 or 4224 further undertakes to deliver to each of Lessee and Agent two additional copies of such form (or a successor form) on or before the date that such form expires (currently, three successive calendar years for Form 1001 and one calendar year for Form 4224) or becomes obsolete or after the occurrence of any event requiring a change in the most recent forms so delivered by it, and such amendments thereto or extensions or renewals thereof as may be reasonably requested by Lessee or Agent, in each case certifying that such Participant is entitled to receive payments under the Operative Documents without deduction or withholding of any United States Federal income taxes, unless an event (including any change in treaty, law or regulation) has occurred prior to the date on which any such delivery would otherwise be required which renders all such forms inapplicable or which would prevent such Participant from duly completing and delivering any such form with respect to it and such Participant advises Lessee and Agent that it is not capable of receiving payments without any withholding of United States Federal income tax.

Section 7.3. Excessive Use Indemnity. In the event that at the end of the Lease Term: (a) Lessee elects the Sale Option and (b) after paying to Agent any amounts due under Section 9.1(b) of the Lease, Proceeds and the Applicable Percentage Amount, the Lease Balance shall not have been reduced to zero, then Lessee shall promptly pay over to Agent the shortfall unless Lessee delivers a report from an independent appraiser in form and substance satisfactory to the Required Participants which establishes that the decline in value in the Units from the aggregate amount anticipated for such date in the Appraiser's report delivered with respect to each Unit on the Delivery Date was not due to the excessive use of any Unit, failure to maintain any Unit, modifications or

alteration which reduce the value of any Unit, any adverse change in the environmental condition of any Unit, any defect or exception to title of any Unit or any other cause or condition within the power of Lessee to control or affect, differing from ordinary wear and tear.

Section 7.4. Gross Up. If an Indemnitee shall not be entitled to a corresponding and equal deduction with respect to any payment or Tax which Lessee is required to pay or reimburse under any other provision of this Article VII (each such payment or reimbursement under this Article VII, an "original payment") and which original payment constitutes income to such Indemnitee, then Lessee shall pay to such Indemnitee on demand the amount of such original payment on a gross-up basis such that, after subtracting all Taxes imposed on such Indemnitee with respect to such original payment by Lessee (including any Taxes otherwise excluded from the indemnification provided under Section 7.2 and assuming for this purpose that such Indemnitee was subject to taxation at the highest Federal, state or local marginal rates applicable to widely held corporations for the year in which such income is taxable), such payments shall be equal to the original payment to be received (net of any credits, deductions or other tax benefits then actually recognized that arise from the payment by such Indemnitee of any amount, including taxes, for which the payment to be received is made).

Section 7.5. Increased Capital Costs. If any change in, or the introduction, adoption, effectiveness, interpretation, reinterpretation or phase-in of, any law or regulation, directive, guideline, decision or request (whether or not having the force of law) of any court, central bank regulator or other Governmental Authority ("Change in Law") affects or would affect the amount of capital required or expected to be maintained by any Participant directly or by its parent company (other than any change by way of imposition of or increase in reserve requirements included in the calculation of the LIBO Rate or in respect of the assessment rate payable by any Participant to the FDIC for insuring U.S. deposits) and such Participant determines (in its sole and absolute discretion) that the rate of return on it or its parent's capital as a consequence of any Funding made by such Participant hereunder to pay its share of the Purchase Price is reduced to a level below that which such Participant or its parent could have achieved but for the occurrence of any such circumstances, then, in any such case, upon written notification from time to time by such Participant to Lessee, Lessee shall, within five (5) Business Days following receipt of the statement referred to in the next sentence, pay directly to such Participant, as Supplemental Rent, additional amounts sufficient to compensate Participant or its parent for such reduction in rate of return (subject to Section 7.4). A statement of a Participant as to any such additional amount or amounts (including calculations thereof in reasonable detail) and the reasons therefor shall, in the absence of manifest error, be conclusive and binding on Lessee. In determining such amount, each Participant shall use any method of averaging or attribution that it (in its reasonable discretion) shall deem applicable.

Section 7.6. LIBO Rate Illegal, Unavailable or Impracticable. If any Participant shall determine in good faith (which determination shall, upon notice thereof to Lessee, be conclusive and binding on Lessee) that

(a) a change in law makes it unlawful, or the central bank or other Governmental Authority asserts that it is unlawful, for such Participant to make, continue or maintain any amount of such Participant's investment in the Notes or Certificates on a LIBO Rate basis,

(b) deposits in Dollars (in the applicable amounts) are not being offered to such Participant in the relevant market for the applicable Payment Period, or that by reason of circumstances affecting the interbank eurodollar market adequate and reasonable means do not exist for ascertaining the applicable LIBO Rate, or

(c) the LIBO Rate, as determined by Agent, will not adequately and fairly reflect the cost to such Participant of maintaining or funding its investments for the applicable Payment Period,

then the obligations of such Participant to make, continue or maintain any such investment shall, upon such determination, forthwith be suspended until such Participant shall notify Lessee that such circumstances no longer exist, and all Basic Rent (or Interest and Yield) allocable to such Participant shall automatically be determined on a Alternate Base Rate basis beginning on the next immediately succeeding Payment Date with respect thereto or sooner, if required by such law, assertion or determination.

Section 7.7. Funding Losses. Lessee agrees to reimburse any Participant for any loss or expense incurred (including any loss or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Participant to make, continue or maintain any portion of its investment in any Note or Certificate on a LIBO Rate basis) as a result of (i) the failure of the transaction contemplated by Article II to occur on or before the Delivery Date specified in the Delivery Date Notice or (ii) any payment of all or any portion of the Lease Balance for any reason on a date other than the Payment Date when such Lease Balance was scheduled to be paid. Such Participant shall promptly notify Lessee in writing of the amount of any claim under this Section 7.7, the reason or reasons therefor and the additional amount required fully to compensate such Participant for such loss or expense. Such written notice (which

shall include calculations in reasonable detail) shall, in the absence of manifest error, be conclusive and binding on Lessee.

Section 7.8. Actions of Affected Participants. Each Participant shall use reasonable efforts (including reasonable efforts to change the booking office for this transaction) to avoid or minimize any amounts which might otherwise be payable pursuant to Sections 7.5 and 7.6; provided, however, that such efforts shall not be deemed by such Participant, in its sole discretion, to be disadvantageous to it. In the event that such reasonable efforts are insufficient to avoid or minimize such amounts that might be payable pursuant to Sections 7.5 and 7.6, then such Participant (the "Affected Participant") shall use its reasonable efforts to transfer to any other Participant approved by Lessee (which itself is not then an Affected Participant) its Notes and/or Certificates; provided, that such transfer shall not be deemed by such Affected Participant, in its reasonable sole discretion, to be disadvantageous to it (other than the economic disadvantage of ceasing to be a Participant). In the event that the Affected Participant is unable, or otherwise is unwilling, to use its reasonable efforts to so transfer its rights and obligations, Lessee may designate an alternate financial institution to purchase the Affected Participant's Notes and Certificates and, subject to the provisions of Sections 6.3 and 7.7, the Affected Participant shall transfer its rights and obligations to such alternate financial institution and such alternate financial institution shall become a Participant hereunder; provided that the costs of such transfer to either another Participant or an alternate financial institution shall be borne by Lessee.

#### ARTICLE VIII

##### AGENT

Section 8.1. Appointment of Agent; Powers and Authorization to Take Certain Actions. (a) Each Participant irrevocably appoints and authorizes First Security Trust Company of Nevada to act as its agent hereunder, with such powers as are specifically delegated to Agent by the terms hereof, together with such other powers as are reasonably incidental thereto. Each Participant authorizes and directs Agent to, and Agent agrees for the benefit of the Participants, that, on the Delivery Date it will accept the documents described in Article III of this Participation Agreement. Agent accepts the agency hereby created applicable to it and agrees to receive all payments and proceeds pursuant to the Operative Documents and disburse such payments or proceeds in accordance with the Operative Documents. Agent shall have no duties or responsibilities except those expressly set forth in the Loan Agreement and this Participation Agreement. Agent shall not be responsible to any Participant (or to any other Person): (i) for any recitals, statements, representations or warranties of any party contained in the Loan Agreement, this Participation Agreement, or in any certificate or other document referred to or provided for in, or received by it under, the Operative Documents, other than the representations and warranties made by Agent in Section 4.4, or (ii) for the value, validity, effectiveness, genuineness, enforceability or sufficiency of the Units, the Lessee Collateral or the Lessor Collateral or the title thereto (subject to Agent's obligations under Section 4.4) or of the Loan Agreement or any other document referred to or provided for therein or (iii) for any failure by any Lessee, Certificate Trustee or any other third party (other than Agent) to perform any of its obligations under any Operative Document. Agent may employ agents, trustees or attorneys-in-fact, may vest any of them with any property, title, right or power deemed necessary for the purposes of such appointment and shall not be responsible for the negligence or misconduct of any of them selected by it with reasonable care. Except as provided for in Section 8.1(c) below, neither Agent nor any of its directors, officers, employees or agents shall be liable or responsible for any action taken or omitted to be taken by it or them hereunder, or in connection herewith.

(b) Agent shall not have any duty or obligation to manage, control, use, operate, store, lease, sell, dispose of or otherwise deal with the Units, the Lessee Collateral or the Lessor Collateral, or to otherwise take or refrain from taking any action under, or in connection with, this Participation Agreement or any related document to which Agent is a party, except as expressly provided by the terms hereof, and no implied duties of any kind shall be read into any Operative Document against Agent. The permissive right of Agent to take actions enumerated in this Participation Agreement or any other Operative Document shall never be construed as a duty, unless Agent is instructed or directed to exercise, perform or enforce one or more rights by the Required Participants (provided that Agent has received indemnification reasonably satisfactory to it). Subject to Section 8.1(c) below, no provision of the Operative Documents shall require Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its obligations under the Operative Documents, or in the exercise of any of its rights or powers thereunder. It is understood and agreed that the duties of Agent are ministerial in nature.

(c) Except as specifically provided herein, Agent is acting hereunder solely as agent and, except as specifically provided herein, is not responsible to any party hereto in its individual capacity, except with respect to any claim arising from Agent's gross negligence or willful misconduct, or its negligence in the handling of funds or any breach of a representation or covenant made in its individual capacity.

(d) Agent may accept deposits from, lend money to and otherwise deal

with Lessee or any of its Affiliates with the same rights as it would have if it were not the named Agent hereunder.

Section 8.2. Reliance. Agent may rely upon, and shall not be bound or obligated to make any investigation into the facts or matters stated in, any certificate, notice or other communication (including any communication by telephone, telecopy, telex, telegram or cable) reasonably believed by it to be genuine and correct and to have been made, signed or sent by or on behalf of the proper Person or Persons, and upon advice and statements of legal counsel, independent accountants and other experts selected by Agent with due care (including any expert selected by Agent to aid Agent in any calculations required in connection with its duties under the Operative Documents).

Section 8.3. Action upon Instructions Generally. Subject to Sections 8.4 and 8.6, upon written instructions of the Required Participants, Agent shall, on behalf of the Participants, give such notice or direction, exercise such right, remedy or power hereunder or in respect of the Units, and give such consent or enter into such amendment to any document to which it is a party as Agent as may be specified in such instructions. Agent shall deliver to each Participant a copy of each notice, report and certificate received by Agent pursuant to the Operative Documents. Agent shall have no obligation to investigate or determine whether there has been a Lease Event of Default or a Lease Default. Agent shall not be deemed to have notice or knowledge of a Lease Event of Default or Lease Default unless a Responsible Officer of Agent is notified in writing of such Lease Event of Default or Lease Default; provided that Agent shall be deemed to have been notified in writing of any failure of Lessee to pay Rent in the amounts and at the times set forth in Article IV of the Lease. If Agent receives notice of a Lease Event of Default, Agent shall give prompt notice thereof, at Lessee's expense, to each Participant. Subject to Sections 8.4, 8.6 and 9.5, Agent shall take action or refrain from taking action with respect to such Lease Event of Default as directed by the Required Participants or, in the case of a Payment Default, as directed by any Participant; provided that, unless and until Agent receives such directions, Agent may refrain from taking any action with respect to such Lease Event of Default or Payment Default. Prior to the date the Lease Balance shall have become due and payable by acceleration pursuant to Section 8.2 of the Lease, the Required Participants may deliver written instructions to Agent to waive, and Agent shall waive pursuant thereto, any Lease Event of Default and its consequences; provided that in the absence of written instructions from all Participants, Agent shall not waive any: (i) Payment Default, or (ii) covenant or provision which, under Section 9.5, cannot be modified or amended without the consent of all Participants. As to any matters not expressly provided for by this Participation Agreement, Agent shall in all cases be fully protected in acting, or in refraining from acting, hereunder in accordance with instructions signed by the Required Participants and such instructions of the Required Participants and any action taken or failure to act pursuant thereto shall be binding on each Participant.

Section 8.4. Indemnification. Each Participant shall reimburse and hold Agent harmless, ratably in accordance with its Commitment at the time the indemnification is required to be given, (but only to the extent that any such indemnified amounts have not in fact been paid to Agent by, or on behalf of, Lessee in accordance with Section 7.1) from any and all claims, losses, damages, obligations, penalties, liabilities, demands, suits, judgments, or causes of action, and all legal proceedings, and any reasonable costs or expenses in connection therewith, including allocated charges, costs and expenses of internal counsel of Agent and all other reasonable attorneys' fees and expenses incurred by Agent, in any way relating to or arising in any manner out of: (i) any Operative Document, the enforcement hereof or thereof or the consummation of the transactions contemplated thereby, or (ii) instructions from the Required Participants (including, without limitation, the costs and expenses that Lessee is obligated to and does not pay hereunder, but excluding normal administrative costs and expenses incident to the performance by Agent of its agency duties hereunder other than materially increased administrative costs and expenses incurred as a result of a Lease Event of Default); provided that no Participant shall be liable for any of the foregoing to the extent they arise from (a) the gross negligence or willful misconduct of Agent, (b) the inaccuracy of any representation or warranty or breach of any covenant given by Agent in Section 4.4 or in the Loan Agreement, (c) in the case of Agent's handling of funds, the failure to act with the same care as Agent uses in handling its own funds or (d) any taxes, fees or other charges payable by Agent based on or measured by any fees, commissions or compensation received by it for acting as Agent in connection with the transactions contemplated by the Operative Documents.

Section 8.5. Independent Credit Investigation. Each Participant by entering into this Participation Agreement agrees that it has, independently and without reliance on Agent or Arranger or any other Participant and based on such documents and information as it has deemed appropriate, made its own credit analysis of Lessee and its own decision to enter into this Participation Agreement and each of the other Operative Documents to which it is a party and that it will, independently and without reliance upon Agent, Arranger or any other Participant and based on such documents and information as it shall deem appropriate at the time, continue to make its own analysis and decisions in taking action under this Participation Agreement and any related documents to which it is a party. Agent shall not be required to keep itself informed as to the performance or observance by Lessee of any other document referred to (directly or indirectly) or provided for herein or to inspect the properties or books of Lessee. Except for notices or statements which Agent is expressly required to give under this Participation Agreement and for notices, reports and

other documents and information expressly required to be furnished to Agent alone (and not also to each Participant and the Certificate Trustee, it being understood that Agent shall forward copies of same to each Participant and the Certificate Trustee) hereunder or under any other Operative Document, Agent shall not have any duty or responsibility to provide any Participant with copies of notices or with any credit or other information concerning the affairs, financial condition or business of Lessee (or any of its Affiliates) that may come into the possession of Agent or any of its Affiliates.

Section 8.6. Refusal to Act. Except for notices and actions expressly required of Agent hereunder and except for the performance of its covenants in Section 4.4, Agent shall in all cases be fully justified in failing or refusing to act unless (a) it is indemnified to its reasonable satisfaction by the Participants against any and all liability and reasonable expense which may be incurred by it by reason of taking or continuing to take any such action (provided that such indemnity shall be subject to each of the limitations set forth at Section 8.4, it being understood that no action taken by Agent in accordance with the instructions of the Required Participants shall be deemed to constitute any such matter) and (b) it is reasonably satisfied that such action is not contrary to any Operative Document or to any Applicable Laws and Regulations.

Section 8.7. Resignation or Removal of Agent; Appointment of Successor. Subject to the appointment and acceptance of a successor Agent as provided below, Agent may resign at any time by giving notice thereof to each Certificate Trustee and Lessee or may be removed at any time by written notice from the Required Participants. Upon any such resignation or removal, the Required Participants at the time of the resignation or removal shall have the right to appoint (so long as no Lease Event of Default is continuing, with the prior written consent of Lessee) a successor Agent which shall be a financial institution having a combined capital and surplus of not less than \$500,000,000. If, within 30 calendar days after the retiring Agent's giving of notice of resignation or receipt of a written notice of removal, a successor Agent is not so appointed and does not accept such appointment, then the retiring or removed Agent may appoint a successor Agent and transfer to such successor Agent all rights and obligations of the retiring Agent. Such successor Agent shall be a financial institution having combined capital and surplus of not less than \$500,000,000. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring or removed Agent and the retiring or removed Agent shall be discharged from duties and obligations as Agent thereafter arising hereunder and under any related document. If the retiring Agent does not appoint a successor, any Participant shall be entitled to apply to a court of competent jurisdiction for such appointment, and such court may thereupon appoint a successor to act until such time, if any, as a successor shall have been appointed as above provided.

Section 8.8. Separate Agent. The Required Participants may, and if they fail to do so at any time when they are so required, Agent may, for the purpose of meeting any legal requirements of any jurisdiction in which the Units, the Lessee Collateral or the Lessor Collateral may be located and, so long as no Lease Event of Default has occurred and is continuing, with the prior written consent of Lessee, appoint one or more individuals or corporations either to act as co-agent jointly with Agent or to act as separate agent of all or any part of the Units, the Lessee Collateral or the Lessor Collateral, and vest in such individuals or corporations, in such capacity, such title to such Units, the Lessee Collateral or the Lessor Collateral or any part thereof, and such rights or duties as Agent may consider necessary or desirable. Agent shall not be required to qualify to do business in any jurisdiction where it is not now so qualified. Agent shall execute, acknowledge and deliver all such instruments as may be required by any such co-agent or separate agent more fully confirming such title, rights or duties to such co-agent or separate agent. Upon the acceptance in writing of such appointment by any such co-agent or separate agent, it, she or he shall be vested with such interest in the Units, the Lessee Collateral or the Lessor Collateral or any part thereof, and with such rights and duties, not inconsistent with the provisions of the Operative Documents, as shall be specified in the instrument of appointment, jointly with Agent (except insofar as local law makes it necessary for any such co-agent or separate agent to act alone), subject to all terms of the Operative Documents. Any co-agent or separate agent, to the fullest extent permitted by legal requirements of the relevant jurisdiction, at any time, by an instrument in writing, shall constitute Agent its attorney-in-fact and agent, with full power and authority to do all acts and things and to exercise all discretion on its behalf and in its name. If any co-agent or separate agent shall die, become incapable of acting, resign or be removed, the interest in the Units, the Lessee Collateral and the Lessor Collateral and all rights and duties of such co-agent or separate agent shall, so far as permitted by law, vest in and be exercised by Agent, without the appointment of a successor to such co-agent or separate agent.

Section 8.9. Termination of Agency. The agency created hereby shall terminate upon the final disposition by Agent of all Units, the Lessee Collateral and the Lessor Collateral and the final distribution by Agent of all monies or other property or proceeds received pursuant to the Lease in accordance with their terms; provided, that at such time Lessee shall have complied fully with all the terms hereof.

Section 8.10. Compensation of Agent. Lessee shall pay Agent its reasonable fees, costs and expenses for the performance of Agent's obligations hereunder (including the reasonable fees and expenses of its counsel).

Section 8.11. Limitations. It is expressly understood and agreed by and among the parties hereto that, except as otherwise provided herein or in the other Operative Documents: (a) this Participation Agreement and the other Operative Documents to which Agent is a party are executed by Agent, not in its individual capacity (except with respect to the representations and covenants of Agent in Section 4.4), but solely as Agent under the Operative Documents in the exercise of the power and authority conferred and vested in it as such Agent; (b) each and all of the undertakings and agreements herein made on the part of Agent are each and every one of them made and intended not as personal undertakings and agreements by Agent, or for the purpose or with the intention of binding Agent personally, unless expressly provided otherwise; (c) actions to be taken by Agent pursuant to its obligations under the Operative Documents may, in certain circumstances, be taken by Agent only upon specific authority of the Participants; (d) nothing contained in the Operative Documents shall be construed as creating any liability on Agent, individually or personally, or any incorporator or any past, present or future subscriber to the capital stock of, or stockholder, officer or director, employee or agent of, Agent to perform any covenants either express or implied contained herein, all such liability, if any, being expressly waived by the other parties hereto and by any Person claiming by, through or under them; and (e) so far as Agent, individually or personally, is concerned, the other parties hereto and any Person claiming by, through or under them shall look solely to the Units, the Lessee Collateral, the Lessor Collateral and Lessee for the performance of any obligation under any of the instruments referred to herein; provided, however, that nothing in this Section 8.11 shall be construed to limit in scope or substance the general corporate liability of Agent in respect of its gross negligence or willful misconduct, negligence in the handling of funds or for those representations, warranties and covenants of Agent in its individual capacity set forth herein or in any of the other agreements contemplated hereby.

## ARTICLE IX

### MISCELLANEOUS

Section 9.1. Survival of Agreements. The representations, warranties, covenants, indemnities and agreements of the parties provided for in the Operative Documents, and the parties' obligations under any and all thereof, shall survive the execution and delivery and the termination or expiration of this Agreement and any of the Operative Documents, the transfer of the interest in the Units as provided herein or in any other Operative Documents, any disposition of any interest of Certificate Trustee in the Units, the purchase and sale of the Notes or Certificates, payment therefor and any disposition thereof and shall be and continue in effect notwithstanding any investigation made by any party hereto or to any of the other Operative Documents and the fact that any such party may waive compliance with any of the other terms, provisions or conditions of any of the Operative Documents.

Section 9.2. No Broker, etc. Except for Lessee's dealing with Banc of America Leasing & Capital, LLC, as Arranger, each of the parties hereto represents to the others that it has not retained or employed any arranger, broker, finder or financial advisor to act on its behalf in connection with this Agreement, nor has it authorized any arranger, broker, finder or financial adviser retained or employed by any other Person so to act, nor has it incurred any fees or commissions to which Certificate Trustee, Agent or any Participant might be subjected by virtue of their entering into the transactions contemplated by this Agreement. Any party who is in breach of this representation shall indemnify and hold the other parties harmless from and against any liability arising out of such breach of this representation.

Section 9.3. Notices. Unless otherwise specified herein, all notices, requests, demands or other communications to or upon the respective parties hereto shall be deemed to have been given: (i) in the case of notice by letter, the earlier of when delivered to the addressee by hand or courier if delivered on a Business Day and, if not delivered on a Business Day, the first Business Day thereafter or on the third Business Day after depositing the same in the mails, registered or certified mail, postage prepaid, return receipt requested, and (ii) in the case of notice by facsimile or bank wire, when receipt is confirmed if delivered on a Business Day and, if not delivered on a Business Day, the first Business Day thereafter, addressed as provided on Schedule II hereto, or to such other address as any of the parties hereto may designate by written notice.

Section 9.4. Counterparts. This Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same agreement.

Section 9.5. Amendments. No Operative Document nor any of the terms thereof may be terminated, amended, supplemented, waived or modified without the written agreement or consent of Certificate Trustee, Agent, Lessee and the Required Participants; provided, however, that Section 9.15 hereof may not be terminated, amended, supplemented, waived or modified without the written agreement or consent of the Arranger; and provided, further, that such termination, amendment, supplement, waiver or modification shall require the written agreement or consent of each Participant if such termination, amendment, supplement, waiver or modification would:

(a) modify any of the provisions of this Section 9.5, change the definition of "Required Participants", or modify or waive any provision of any Operative Document requiring action by all of the Participants, or release any collateral (except in connection with a transaction permitted by the Operative Documents or approved by all of the Participants);

(b) reduce the amount or change the time of payment of any amount of principal owing or payable under any Note, Certificate or Interest or Yield owing or payable on any Note or Certificate, modify any of the provisions of Article III of the Loan Agreement or Article III of the Trust Agreement, or modify the definition of "Interest Rate" or "Yield Rate";

(c) modify, amend, waive or supplement any of the provisions of Sections 5.6, 8.1(a), 8.1(c)(i) (to the extent such Section 8.1(c)(i) relates to Section 6.2 of the Lease), 8.1(c)(ii) or 10.1, or the first paragraph of Section 6.1, in each case of the Lease;

(d) reduce, modify, amend or waive any indemnities in favor of any Participant;

(e) reduce the amount or change the time of payment of Rent, the Lease Balance, or Applicable Percentage Amount;

(f) modify any provision of any Operative Document that expressly requires the unanimous consent of the Participants;

(g) consent to modification, amendment or waiver releasing Lessee from its obligations to pay Rent, the Lease Balance, Proceeds or the Applicable Percentage Amount or changing the absolute and unconditional character of such obligations;

(h) permit the creation of any Lien on the Units, the Lessee Collateral, the Lessor Collateral or the Trust Estate or any part thereof except as permitted by the Operative Documents, or deprive any Participant of the benefit of the security interest and lien secured by the Units, the Lessee Collateral, the Lessor Collateral or the Trust Estate in a manner not generally applicable to the other Participants; or

(i) increase the Commitment of any Participant.

Lessee hereby agrees that it will not directly or indirectly (i) pay or cause to be paid any fee or other remuneration or (ii) grant or permit the grant of any Lien on any stock or assets of the Lessee or any of its Subsidiaries, in each case, to any Participant in connection with, in exchange for, or as an inducement to, such Participant's consent to any waiver in respect of, any modification or amendment of, any supplement to, or any other consent or approval under, any Operative Document unless such fee or other remuneration or grant is offered on the same terms ratably to all Participants. Lessee will offer and pay to the Participants any consideration offered or paid to other creditors of Lessee for amendments or waivers of any obligation of Lessee.

Certain representations, warranties, covenants and events of default contained in the Credit Agreement are set forth herein and in the other Operative Documents. Upon any modification to any of such provisions, the applicable Operative Document shall be correspondingly modified, with the prior written consent of the Required Participants, upon the request of Lessee. In connection with any such modification, Lessee shall pay to the Participants any amendment fee paid to the Credit Agreement Banks in consideration for the modification of the Credit Agreement.

Lessee hereby agrees that it will not request any amendment, waiver or modification of any provision of the Operative Documents unless it concurrently requests the same amendment, waiver or modification of the corresponding provision of the Related Operative Documents.

Section 9.6. Headings, etc. The Table of Contents and headings of the various Articles and Sections of this Agreement are for convenience of reference only and shall not modify, define, expand or limit any of the terms or provisions hereof.

Section 9.7. Parties in Interest. Except as expressly provided herein, none of the provisions of this Agreement is intended for the benefit of any Person except the parties hereto, their successors and permitted assigns.

Section 9.8. Governing Law. THIS AGREEMENT SHALL IN ALL RESPECTS BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF, THE STATE OF NEW YORK, WITHOUT REGARD TO THE CONFLICTS OF LAWS PRINCIPLES OF SUCH STATE THAT WOULD REQUIRE THE APPLICATION OF THE LAWS OF A JURISDICTION OTHER THAN SUCH STATE.

Section 9.9. Payment of Transaction Costs and Other Costs.

(a) Transaction Costs. As and when any portion of Transaction Costs becomes due and payable, such Transaction Costs shall be paid by Lessee as Supplemental Rent.

(b) Continuing Expenses. The continuing fees, expenses and disbursements (including reasonable counsel fees) of (i) Certificate Trustee, as Lessor under the Lease and as trustee under the Trust Agreement with respect to the administration of the Trust Estate, and (ii) Agent, under the Operative Documents, shall be paid directly by Lessee as Supplemental Rent.

(c) Amendments, Supplements and Appraisal. Without limitation of the foregoing, Lessee agrees to pay to the Participants, Certificate Trustee and Agent all costs and expenses (including reasonable legal fees and expenses of counsel to Agent, Certificate Trustee and the Participants) incurred by any of them in connection with: (i) the considering, evaluating, investigating, negotiating and entering into or giving or withholding of any amendments or supplements or waivers or consents with respect to any Operative Document; (ii) any Casualty or termination of the Lease or any other Operative Document; (iii) the negotiation and documentation of any restructuring or "workout," whether or not consummated, of any Operative Document; (iv) the enforcement of the rights or remedies under the Operative Documents; or (v) any transfer by Certificate Trustee or a Participant of any interest in the Operative Documents during the continuance of a Lease Event of Default.

Section 9.10. 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 not invalidate or render unenforceable such provision in any other jurisdiction.

Section 9.11. Limited Liability of Certificate Trustee. The parties hereto agree that the Bank, in its individual capacity, shall have no personal liability whatsoever to Lessee, Agent, the Participants or any of their respective successors and assigns for any Claim based on or in respect of this Agreement or any of the other Operative Documents or arising in any way from the transactions contemplated hereby or thereby; provided, however, that the Bank shall be liable in its individual capacity (a) for its own willful misconduct or gross negligence (or negligence in the handling of funds) and, to each Participant for the breach of its obligations to the Participants in respect of the Trust Agreement and the Trust Estate, (b) for liabilities that may result from the incorrectness of any representation or warranty expressly made by it in its individual capacity in Section 4.3 or a breach of its covenant in Section 6.2(a) hereof, or (c) for any Tax based on or measured by any fees, commission or compensation received by it for actions contemplated by the Operative Documents. The Bank (in its individual capacity and as Lessor, Borrower and Certificate Trustee) shall have no responsibility for construction of the Facility or for the accuracy, sufficiency or adequacy of any of the information or documents submitted in connection with each Advance or upon Completion of the Facility.

Section 9.12. Liabilities of the Participants. No Participant shall have any obligation to any other Participant or to Lessee, Certificate Trustee or Agent with respect to the transactions contemplated by the Operative Documents except those obligations of such Participant expressly set forth in the Operative Documents or except as set forth in the instruments delivered in connection therewith, and no Participant shall be liable for performance by any other party hereto of such other party's obligations under the Operative Documents except as otherwise so set forth.

Section 9.13. Submission to Jurisdiction; Waivers. (a) Each party hereto irrevocably and unconditionally:

(i) submits for itself and its property in any legal action or proceeding relating to this Agreement or any other Operative Document, or for recognition and enforcement of any judgment in respect thereof, to the non-exclusive general jurisdiction of the United States District Court for the Southern District of New York and of any New York state court sitting in the Borough of Manhattan, and appellate courts from any thereof;

(ii) consents that any such action or proceedings may be brought in such courts, and waives any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same;

(iii) agrees that service of process in any such action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to such party at its address set forth on Schedule II or at such other address of which the other parties hereto shall have been notified pursuant to Section 9.3; and

(iv) agrees that nothing herein shall affect the right to effect service of process in any other manner permitted by law or shall limit the right to sue in any other jurisdiction.

(b) EACH PARTY HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THE OPERATIVE DOCUMENTS AND FOR ANY COUNTERCLAIM THEREIN.

Section 9.14. Reproduction of Documents. This Agreement, all documents



constituting an Appendix, Schedule or Exhibit hereto, and all documents relating hereto received by a party hereto, including, without limitation: (a) consents, waivers and modifications that may hereafter be executed; (b) documents received by the Participants or Certificate Trustee in connection with the receipt and/or acquisition of the Units; and (c) financial statements, certificates, and other information previously or hereafter furnished to Certificate Trustee, Agent or any Participant may be reproduced by the party receiving the same by any photographic, photostatic, microfilm, micro-card, miniature photographic or other similar process. Each of the parties hereto agrees and stipulates that, to the extent permitted by 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 party in the regular course of business) and that, to the extent permitted by law, any enlargement, facsimile, or further reproduction of such reproduction shall likewise be admissible in evidence.

Section 9.15. Role of Banc of America Leasing & Capital Group, LLC. Each party hereto acknowledges hereby that it is aware of the fact that Banc of America Leasing & Capital Group, LLC has acted as an "arranger" with respect to the transactions contemplated by the Operative Documents. The parties hereto acknowledge and agree that Arranger and its Affiliates, including Bank of America National Association, have not made any representations or warranties concerning, and that they have not relied upon Arranger as to, the tax, accounting or legal characterization or validity of (i) the Operative Documents or (ii) any aspect of the Overall Transaction. The parties hereto acknowledge and agree that Arranger has no duties, express or implied, under the Operative Documents in its capacity as Arranger. The parties hereto further agree that Section 2.6, Section 2.11, Section 8.5, Section 9.2, Section 9.9(a) and this Section 9.15 are for the express benefit of Arranger, and Arranger shall be entitled to rely thereon as if it were a party hereto.

Section 9.16. Confidentiality. Lessee, Certificate Trustee, Agent and each Participant agree that they will not disclose the terms of the Overall Transaction without the prior written consent of the other parties and agrees to take normal and reasonable precautions and exercise due care to maintain the confidentiality of all information identified as "confidential" or "secret" by Lessee and provided to it by Lessee or any Subsidiary, or by Agent or Certificate Trustee on Lessee's behalf, under this Agreement or any other Operative 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 Operative Documents, except to the extent such information (i) was or becomes generally available to the public other than as a result of disclosure by Agent, Certificate Trustee or such Participant, or (ii) was or becomes available on a non-confidential basis from a source other than Lessee, provided that such source is not bound by a confidentiality agreement with Lessee known to Agent, Certificate Trustee or such Participant; provided however, that Agent, Certificate Trustee or any Participant may disclose such information (A) at the request or pursuant to any requirement of any Governmental Authority to which Agent, Certificate Trustee or such Participant is subject or in connection with an examination of Agent, Certificate Trustee or such Participant 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 Agent, Certificate Trustee, any Participant 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 Operative Document; (F) to Agent's, Certificate Trustee's or such Participant's independent auditors and other professional advisors; (G) to any Affiliate of Agent, Certificate Trustee or such Participant, or to any Participation Holder or assignee or transferee, actual or potential, provided that such Affiliate, Participation Holder or assignee or transferee agrees to keep such information confidential to the same extent required of the Participants hereunder, and (H) as to Agent, Certificate Trustee or any Participant, as expressly permitted under the terms of any other document or agreement regarding confidentiality to which Lessee is party or is deemed party with Agent, Certificate Trustee or such Participant.

Lessee hereby identifies the Equipment List and any future updates thereof as confidential information pursuant to the foregoing provisions of this Section 9.16.

Section 9.17. Thermogas Transaction. Lessee covenants and agrees for the benefit of Agent, Certificate Trustee and the Participants that upon the acquisition of Thermogas by the MLP, Thermogas shall immediately be contributed to Lessee and Lessee shall, concurrently with the "Delivery Date" thereunder, assume all obligations of Thermogas under the Other Transaction pursuant to an assumption agreement in form and substance satisfactory to Agent, Certificate Trustee and the Participants and deliver such other documents, certificates and opinions as any such Person shall reasonably request in connection with such assumption.

Section 9.18. Acquired Property. For all purposes of the Operative Documents, any purchase, sale, replacement, substitution or return of any Unit or Units shall include the other Acquired Property which relates thereto.

Section 9.19. Effective Date. . Notwithstanding the dating of this Agreement and certain other Operative Documents as of December 1, 1999, the transactions contemplated hereby shall be effective on the Delivery Date.

[SIGNATURE PAGES FOLLOW]

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

Lessee: FERRELLGAS, LP, as Lessee

By Ferrellgas, Inc., its General Partner

By: \_\_\_\_\_

Name: Title:

General Partner:

FERRELLGAS, INC.

By: \_\_\_\_\_

Name:

Title:

Certificate Trustee: FIRST SECURITY BANK, NATIONAL ASSOCIATION, not in its individual capacity except as expressly stated herein, but solely as Certificate Trustee

By:  
Name:  
Title:

Agent: FIRST SECURITY TRUST COMPANY OF NEVADA, not in its individual capacity except as expressly stated herein, but solely as Agent

By:  
Name:  
Title:

Certificate Purchasers: BANC OF AMERICA LEASING & CAPITAL, LLC, as Certificate Purchaser

By:  
Name:  
Title:

Lenders:

BANC OF AMERICA LEASING & CAPITAL, LLC, as Lender

By:  
Name:  
Title:

APPENDIX 1  
TO  
PARTICIPATION AGREEMENT

(FERRELLGAS, LP TRUST NO. 1999-A)

In the Participation Agreement and each other Operative Document, unless the context otherwise requires:

(a) any term defined below by reference to another instrument or document shall continue to have the meaning ascribed thereto whether or not such other instrument or document remains in effect;

(b) words importing the singular include the plural and vice versa;

(c) words importing a gender include any gender;

(d) a reference to a part, clause, section, article, exhibit or schedule is a reference to a part, clause, section and article of, and exhibit and schedule to, such Operative Document;

(e) a reference to a document includes any amendment or supplement to, or replacement or novation of, that document;

(f) a reference to a party to a document includes that party's successors and permitted assigns; and

(g) references to "including" means including without limiting the generality of any description preceding such term.

"Acceptance Certificate" shall have the meaning provided in Section 3.1(n) of the Participation Agreement.

"Accounts Receivable Securitization" shall mean a financing arrangement involving the transfer or sale of accounts receivable of Lessee in the ordinary course of business through one or more SPEs, the terms of which arrangement do not impose (a) any recourse or repurchase obligations upon Lessee or any Affiliate of Lessee (other than any such SPE) except to the extent of the breach of a representation or warranty by Lessee in connection therewith or (b) any negative pledge or Lien on any accounts receivable not actually transferred to any such SPE in connection with such arrangement.

"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 Lessee or the Subsidiary is the surviving entity.

"Additional Costs" shall mean the amounts payable by Lessee pursuant to Sections 7.3, 7.4, 7.5, 7.6 and 7.7 of the Participation Agreement.

"Administrative Agent" has the meaning specified in the introductory clause to the Credit Agreement.

"Affected Participant" shall have the meaning provided in Section 7.8 of the Participation Agreement.

"Affected Participants" shall mean, as of the date of determination, (i) Lenders holding at least a majority in aggregate principal amount of outstanding Class B Notes and (ii) Certificate Purchasers holding at least a majority in aggregate principal amount of Certificates.

"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.

"Agent" shall mean First Security Trust Company of Nevada, in its capacity as administrative agent under the Operative Documents.



"Agent Fee Letter" shall mean that certain Fee Letter dated November 17, 1999 between Agent and Lessee.

"Alternate Base Rate" shall mean for any period, an interest rate per annum equal to the higher of (A) the Federal Funds Effective Rate in effect on such day plus 1/2 of 1% (50 basis points) and (B) the Reference Rate. If either of the aforesaid rates or equivalent changes from time to time after the Delivery Date, the Alternate Base Rate shall be automatically increased or decreased, if appropriate and as the case may be, without notice to Lessee or Borrower, as of the effective time of each change. "Federal Funds Effective Rate" shall mean, for any day, the weighted average (rounded upwards, if necessary, to the next 1/100 of 1%) of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average (rounded upwards, if necessary, to the next 1/100 of 1%) of the quotations for such day for such transactions received by the Agent from three Federal funds brokers of recognized standing selected by it. "Reference Rate" shall mean the rate of interest most recently announced by Bank of America National Association in the United States from time to time as its "reference rate" or corporate base rate for calculating interest on certain loans, which need not be the lowest interest rate charged by Bank of America National Association.

"Applicable Laws and Regulations" shall mean as of any date all applicable laws, rules, regulations (including applicable Environmental Laws), statutes, treaties, codes, ordinances, permits, certificates, orders and licenses of and interpretations by, any Governmental Authority, and applicable judgments, decrees, injunctions, writs, orders or like action of any court, arbitrator or other administrative, judicial or quasi-judicial tribunal or agency of competent jurisdiction (including those pertaining to health, safety or the environment and those pertaining to the construction, use, occupancy or subdivision of the Acquired Property) and any restrictive covenant or deed restriction or easement of record affecting the Acquired Property.

"Applicable Margin" shall mean, (a) with respect to the Class A Notes, the percentage per annum set forth below opposite the Level of the Pricing Ratio (PR) applicable to such fiscal quarter as set forth herein:

Pricing Ratio	Level	A Notes
Level 1	PR < 1.75	.875
Level 2	1.75 = PR < 2.75	1.00
Level 3	2.75 = PR < 3.25	1.25
Level 4	3.25 = PR < 3.75	1.50
Level 5	3.75 = PR < 4.25	1.75
Level 6	4.25 = PR < 4.75	2.00
Level 7	4.75 = PR	2.25

The Level of the Pricing Ratio prior to March 31, 2000 shall be determined based on Level 7. Any change in the Level of the Pricing Ratio shall be determined by Agent based upon the financial information required to be contained in the Compliance Certificate delivered by Lessee to Agent with respect to each fiscal quarter of Lessee and shall become effective as of the date such Compliance Certificate was delivered; provided that any change in the Level of the Pricing Ratio based on a Compliance Certificate delivered prior to March 31, 2000 shall take effect on April 1, 2000. Upon any failure of Lessee 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 Agent, and without limiting the other rights and remedies of Agent and the Participants under the Operative Documents, the Pricing Ratio shall be deemed to be Level 7 for the entire Payment Period during which such Compliance Certificate was due; and

(b) with respect to the Class B Notes, 3.85%.

"Applicable Percentage Amount" shall mean the product obtained by multiplying the aggregate original Purchase Price of the Units then subject to the Lease by 79%.

"Appraisal" shall mean each appraisal of the Units from an Appraiser received pursuant to the terms of the Operative Documents.

"Appraised Value" shall mean, with respect to any Unit as of any date of determination, the Fair Market Value of such Unit as set forth in the

Appraisal therefor.

"Appraiser" shall mean American Appraisal Associates, or such other Person as may be selected by the Agent.

"Acquired Property" shall have the meaning provided in the Preliminary Statement to the Participation Agreement.

"Arranger" shall mean Banc of America Leasing & Capital, LLC.

"Arranger's Fee Letter" shall mean that certain Engagement Letter dated November 8, 1999 between Arranger and Lessee.

"Asset Sale" has the meaning specified in Section 5.18 of the Participation Agreement.

"Assignment of Lease and Rent" shall mean the Assignment of Lease and Rent and Security Agreement dated as of December 1, 1999 between the Certificate Trustee and the Agent, substantially in the form of Exhibit D to the Participation Agreement.

"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 Lessee for purposes of determining the amount of Available Cash until cash is actually distributed by such Non-Recourse Subsidiary to Lessee.

"Bank" shall mean First Security Bank, National Association, in its individual capacity.

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

"Basic Rent" shall mean on the Interim Term Expiration Date and any Payment Date with regard to a Quarterly Payment Period then ended, an amount equal to the sum of (A) the aggregate amount of Interest payable on such date on the Notes, plus (B) the aggregate amount of Yield payable on such date on the Certificates, plus (C) the amount, if any, payable on such date as set forth on Schedule II to the Lease.

"Benefitted Lender" shall have the meaning provided in Section 8.4 of the Loan Agreement.

"Bill of Sale" shall have the meaning provided in Section 3.1(m) of the Participation Agreement.

"Borrower" shall have the meaning provided in the preamble to the Loan Agreement.

"Business Day" shall mean any day other than a Saturday, Sunday or other day on which commercial banks in Liberty, Missouri, Salt Lake City, Utah, or Chicago, Illinois and, solely with respect to definition of "LIBO Rate", San Francisco, California or London, U.K. are authorized or required by law to close.

"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 Credit Agreement Banks, as collateral for the L/C Obligations or any outstanding Credit Agreement Loan, cash or deposit account balances pursuant to documentation in form and substance satisfactory to the Administrative Agent (which documents have been consented to by the Credit Agreement Banks). Derivatives of such term shall have corresponding meaning.

"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 Credit Agreement 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 or S&P 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).

"Casualty" shall mean any of the following events in respect of any Unit: (a) the total loss of such Unit, the total loss of use thereof due to theft, disappearance, destruction, damage beyond repair or the rendering of such Unit permanently unfit for normal use for any reason whatsoever (other than obsolescence); (b) any damage to such Unit which results in an insurance settlement with respect to such Unit on the basis of a total loss or a constructive total loss; (c) the permanent condemnation, confiscation or seizure of, or the requisition of title to or use of, such Unit; (d) such Unit becomes affixed to land so as to become a fixture under Applicable Laws and Regulations; or (e) as a result of any Applicable Laws and Regulations or other action by any Governmental Authority, the use of such Unit in the normal course of Lessee's business shall have been prohibited, directly or indirectly, for a period equal to the lesser of 180 consecutive days and the remaining Lease Term.

"Casualty Amount" shall mean, with respect to any Unit as of any date specified for payment thereof, a portion of the Lease Balance equal to the product obtained by multiplying the entire outstanding Lease Balance as of the Casualty Settlement Date by the Unit Value Fraction of such Unit.

"Casualty Recoveries" shall have the meaning provided in Section 6.1 of the Lease.

"Casualty Settlement Date" shall have the meaning provided in Section 6.1 of the Lease.

"Certificate" shall have the meaning provided in Section 2.1 of the Trust Agreement.

"Certificate Amount" shall mean, with respect to any Certificate Purchaser as of any date of determination, the amount advanced by such Certificate Purchaser for the purchase of Certificates pursuant to Section 2.1 of the Participation Agreement, net of any distributions (other than distributions of Yield) with respect thereto.

"Certificate Purchaser" shall have the meaning provided in the preamble to the Trust Agreement.

"Certificate Register" shall have the meaning provided in Section 2.8(a) of the Trust Agreement.

"Certificate Trustee" shall mean First Security Bank, National Association, a national banking association, not in its individual capacity but solely as trustee under the Trust Agreement, together with any individual trustee or co-trustee appointed pursuant to the terms of the Trust Agreement.

"Certificate Trustee Liens" shall mean Liens on or against the Units, the Lease, the Trust Estate or any payment of Rent (a) which result from any act of, or any Claim against Certificate Trustee (in its individual capacity or in its trustee capacity), or Agent unrelated to the transactions contemplated by the Operative Documents, (b) which result from any Tax owed by Certificate Trustee (in its individual capacity) or Agent, except any Tax for which Lessee is obligated to indemnify or (c) which result from any act or omission of Certificate Trustee (in its individual or in its trustee capacity) or Agent that is in breach of such Person's covenants or agreements under the Operative Documents.

"Certificates" shall mean those certain certificates issued to the Certificate Purchasers pursuant to the Trust Agreement, substantially in the form of Exhibit A thereto, and any and all Certificates issued in replacement or exchange therefor.

"Change of Control" means (i) the sale, lease, conveyance or other disposition of all or substantially all of Lessee'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 Lessee 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 Lessee.

"Claims" shall mean liabilities, obligations, damages, losses, demands, penalties, fines, claims, actions, suits, judgments, settlements, charges, costs, fees, expenses and disbursements (including, without limitation, legal fees (including reasonable allocated time charges of internal counsel) and expenses and costs of investigation which, in the case of counsel or investigators retained by an Indemnatee, shall be documented and reasonable) of any kind and nature whatsoever.

"Class" with respect to any Note shall mean Class A Notes or Class B Notes, as applicable.

"Class A Notes" shall mean the Class A Notes issued from time to time under the Loan Agreement.

"Class B Notes" shall mean the Class B Notes issued from time to time under the Loan Agreement.

"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 of the Credit Agreement.

"Commitment" shall mean as to any Certificate Purchaser or Lender, the amount set forth opposite such Certificate Purchaser's or Lender's name on Schedule I-A and Schedule I-B to the Participation Agreement.

"Compliance Certificate" means a certificate signed by a Responsible Officer of Lessee substantially in the form of Exhibit J to the Participation Agreement, demonstrating compliance with the covenants contained therein, including Sections 5.12, 5.13, 5.16 and 5.28.

"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 Credit Agreement Banks under the Credit Agreement 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 Lessee 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.

"Corporate Trust Department" shall mean the principal corporate trust office of the Bank, located at 79 South Main Street, Salt Lake City, Utah 84111, or at such other office at which the corporate trust business of Bank shall be administered which Bank shall have specified by notice in writing to Lessee and each Participant.

"Credit Agreement" means the Second Amended and Restated Credit Agreement dated as of July 2, 1998, as amended by the First Amendment to Second Amended and Restated Credit Agreement, dated as of October 9, 1998, by the Second Amendment to Second Amended and Restated Credit Agreement, dated as of April 27, 1999 and by the Third Amendment to Second Amended and Restated Credit Agreement, dated as of December 2, 1999, in each case among Lessee, the General Partner, the Administrative Agent, the Credit Agreement Banks and the Documentation Agent.

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

"Credit Agreement Bank" has the meaning specified in the introductory clause to the Credit Agreement.

"Credit Agreement Loan" means an extension of credit by a Credit Agreement Bank to Lessee under Article II or Article III of the Credit Agreement.

"Delivery Date" shall mean the actual date on or prior to December 31, 1999 on which the transactions contemplated in Article II of the Participation Agreement are completed.

"Delivery Date Notice" shall have the meaning provided in Section 3.1(a) of the Participation Agreement.

"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.

"Early Termination Option" means Lessee's option to purchase all, but not less than all, of the Units pursuant to Section 9.5 of the Lease.

"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 Participant, (B) a Subsidiary of a Person of which a Participant is a Subsidiary, or (C) a Person of which a Participant is a Subsidiary.

"Employee Benefit Plan" shall mean an employee benefit plan (within the meaning of Section 3(3) of ERISA, including any multiemployer plan (within the meaning of Section 3(37) (A) of ERISA)), or any "plan" as defined in Section 4975(e) (1) of the Code and as interpreted by the Internal Revenue Service and the Department of Labor in rules, regulations, releases or bulletins in effect at the time of any determination under the Operative Documents. The assets of an Employee Benefit Plan shall be determined using the foregoing criteria, including on the date hereof the Department of Labor plan asset regulation (29 C.F.R. ss. 2510.3-101).

"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" shall mean and include the Resource Conservation and Recovery Act of 1976, (RCRA) 42 U.S.C. ss.ss. 6901-6987, as amended by the Hazardous and Solid Waste Amendments of 1984, the Comprehensive Environmental Response, Compensation and Liability Act, as amended by the Superfund Amendments and Reauthorization Act of 1986, 42 U.S.C. ss.ss. 9601-9657, (CERCLA), the Hazardous Materials Transportation Act OF 1975, 49 U.S.C. ss.ss. 1801-1812, the Toxic Substances Control Act, 15 U.S.C. ss.ss. 2601-2671, the Clean Air ACT, 42 U.S.C. ss.ss. 7401 et seq., the Federal Insecticide, Fungicide and Rodenticide Act, 7 U.S.C. ss.ss. 136 et seq. AND ALL similar federal, state and local environmental laws, ordinances, rules, orders, statutes, decrees, judgments, injunctions, codes and regulations, and any other federal, state or local laws, ordinances, rules, codes and regulations relating to the environment, human health or natural resources or the regulation or control of or imposing liability or standards of conduct concerning human health, the environment, Hazardous Materials or the clean-up or other remediation of a Unit or any Facility or location at which Units are located, stored or serviced.

"Equipment List" shall mean the list of each Unit subject to the Lease, described by (a) capacity of each Unit; (b) the serial number thereof (if available); (c) Lessee's internal unit number thereof; (d) Lessee's District for administration of such Unit; and (e) either Lessee's customer mailing and/or street address applicable to such Unit or the address of Lessee's storage location for such Unit, as applicable, as such list shall be updated from time to time in accordance with Section 5.8 of the Lease.

"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 Lessee 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 Lessee 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 Lessee 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.

"Exchange Act" means the Securities Exchange Act of 1934, and regulations promulgated thereunder.

"Excluded Amounts" shall mean:

(a) all indemnity payments and expenses to which Certificate Trustee or Agent in their respective individual capacities or any Participant (or any of their respective successors, assigns, agents, officers, directors or employees) is entitled pursuant to the Operative Documents;

(b) any amounts payable under any Operative Documents to reimburse Certificate Trustee, Agent or any Participant (including the reasonable expenses incurred in connection with any such payment) for performing or complying with any of the obligations of Lessee under and as permitted by any Operative Document;

(c) any insurance proceeds (or payments with respect to risks self-insured or policy deductibles) under liability policies payable to Certificate Trustee or Agent in their respective individual capacities or any Participant (or their respective successors, assigns, agents, officers, directors or employees);

(d) any insurance proceeds under policies maintained by Certificate Trustee, Agent or any Participant and not required to be maintained by Lessee under the Lease;

(e) any amount payable to Certificate Trustee, Agent or the Participants pursuant to Section 9.9 of the Participation Agreement; and

(f) any payments of interest or yield on payments referred to in clauses (a) through (e) above.

"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 Lessee, 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 Lessee and its Subsidiaries (other than the "Obligations" as defined in the Credit Agreement) and certain Indebtedness of the General Partner with respect to which Lessee 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 5.21 to the Participation Agreement.

"Facility A Revolving Loan" has the meaning specified in subsection 2.01(a) of the Credit Agreement.

"Facility B Revolving Loan" has the meaning specified in subsection 2.01(b) of the Credit Agreement.

"Facility C Revolving Loan" has the meaning specified in subsection 2.01(c) of the Credit Agreement.

"Fair Market Value" shall mean, with respect to any Unit as of any date, the price which a purchaser would pay to purchase such Unit in an arm's-length transaction between a willing buyer and a willing seller, neither of them being under any compulsion to buy or sell. In making any determination of Fair Market Value, Appraiser may assume (i) such Unit has been maintained in accordance with the requirements of the Lease, that such Unit is in the condition in which it is required to be under the Lease as of the date for which such determination is made and (ii) such Unit is not subject to a Sublease. Appraiser shall use such reasonable methods of appraisal as are chosen by Agent upon instructions from the Required Participants; provided, in the event such Appraisal is conducted in connection with a substitution of a Unit pursuant to the last paragraph of Section 5.6(a) of the Lease, the Appraiser shall use the same methods of appraisal as were used in connection with the Appraisal delivered to the Participants on the Delivery Date.

"FCI ESOT" means the employee stock ownership trust of Ferrell Companies, Inc. organized under Section 4975(e) (7) of the Code.

"FDIC" shall mean the Federal Deposit Insurance Corporation, and any Governmental Authority succeeding to any of its principal functions.

"Fees" shall have the meaning provided in Section 2.11 of the Participation Agreement.

"Ferrellgas Partners Finance Corp." means Ferrellgas Partners Finance Corp., a Delaware corporation and a Wholly-Owned Subsidiary of the MLP.

"Final Maturity Date" shall mean June 30, 2003; provided that if the Final Maturity Date is extended in accordance with Section 2.12 of the Participation Agreement, then "Final Maturity Date" shall mean the Final Maturity Date as so extended.

"Finance Corp." means Ferrellgas Finance Corp., a Delaware corporation and a Wholly-Owned Subsidiary of Lessee.

"Financing Statements" shall mean all such UCC-1 Financing Statements required by Agent or Certificate Trustee to be executed by Lessee or Certificate Trustee in connection with the perfection of any security interests granted by Certificate Trustee or Lessee, as the case may be, under the Operative Documents.

"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 Lessee, 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 Lessee, (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 Lessee 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 Lessee in the operation of such acquired business or asset during such period computed on the basis of (i) personnel expenses for employees retained by Lessee in the operation of the acquired business or asset and (ii) non-personnel costs and expenses incurred by Lessee on a per gallon basis in the operation of Lessee's business at similarly situated Lessee 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.

"FRB" means the Board of Governors of the Federal Reserve System, and any Governmental Authority succeeding to any of its principal functions.

"Fund," "Funded" or "Funding" shall mean the funding by a Participant of the principal under its Note or its Certificate Amount (as the case may be) as provided in Section 2.1 of the Participation Agreement.

"Funded Debt" means all Indebtedness of Lessee and its Subsidiaries excluding all Contingent Obligations of Lessee 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" means Ferrellgas, Inc., a Delaware corporation and the general partner of Lessee.

"Governmental Action" shall mean all applicable permits, authorizations, registrations, consents, approvals, waivers, exceptions, variances, orders, judgments, decrees, licenses, exemptions, publications, filings, notices to and declarations of or with, or required by, any Governmental Authority, or required by any Applicable Laws and Regulations.

"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 of Lessee under the Credit Agreement in favor of the Administrative Agent on behalf of the Credit Agreement Banks, in form and substance satisfactory to the Administrative Agent.

"Guaranty Obligation" has the meaning specified in the definition of "Contingent Obligation."

"Hazardous Material" shall mean any substance, waste or material which is toxic, explosive, corrosive, flammable, infectious, radioactive, carcinogenic, mutagenic or otherwise hazardous by listing characteristic or definition under any applicable Environmental Law, including petroleum, crude oil or any fraction thereof, petroleum derivatives, by-products and other hydrocarbons and is or becomes regulated by any Governmental Authority, including any agency, department, commission, board or instrumentality of the United States or any State in which the Units are located, or any political subdivision of any of the foregoing and also including asbestos, urea formaldehyde foam insulation, polychlorinated biphenyls ("PCBs") and radon gas.

"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.

"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 obligations in respect of Accounts Receivable Securitizations; (i) all indebtedness referred to in clauses (a) through (h) 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 (j) all Guaranty Obligations in respect of indebtedness or obligations of others of the kinds referred to in clauses (a) through (i) above; provided, however, that "Indebtedness" shall not include Synthetic Lease Obligations.

"Indemnitee" shall mean each Participant, the Certificate Trustee (in its individual capacity and as trustee), Agent (in its individual capacity and as Agent), any additional, separate or co-trustee or co-agent appointed in accordance with the terms of the Trust Agreement or the Participation Agreement, and the respective Affiliates, successors, permitted assigns, permitted transferees, contractors, servants, employees, officers, directors, shareholders, partners, participants, representatives and agents of each of the foregoing Persons; provided, however, that in no event shall Lessee or its Affiliates be an Indemnitee.

"Independent Auditor" has the meaning specified in Section 5.1(a) of the Participation Agreement.

"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.

"Institutional Investor" shall mean (a) any Person which is an original Participant, (b) any Person holding more than 5% of the aggregate principal amount of the Notes and/or Certificates then outstanding, or (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.

"Insurance Requirements" shall mean all terms and conditions of any insurance policy required by the Lease to be maintained by Lessee and all requirements of the issuer of any such policy.

"Interest" shall mean with respect to each Payment Period, the sum of (i) (w) the Interest Rate for the Class A Notes for such period multiplied by (x) the aggregate outstanding principal amount of the Loans relating to the Class A Notes plus (ii) (y) the Interest Rate for the Class B Notes for such period multiplied by (z) the aggregate outstanding principal amount of the Loans relating to the Class B Notes.

"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 Lessee 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 Lessee 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 Lessee and its Subsidiaries in the operation of the acquired business or asset and (ii) non-personnel costs and expenses incurred by Lessee and its Subsidiaries on a per gallon basis in the operation of Lessee's business at similarly situated facilities of Lessee.

"Interest Rate" for any Class of Notes shall mean for any Payment Period, the sum of the LIBO Rate plus the Applicable Margin for such Class of Notes or at any time that the provisions of Section 7.6 of the Participation Agreement shall apply, the Alternate Base Rate for such Class of Notes.

"Interim Term Expiration Date" shall have the meaning specified in Section 4.1 of the Lease.

"IRS" means the Internal Revenue Service, and any Governmental Authority succeeding to any of its principal functions.

"Issuing Banks" means the issuers of one or more Letters of Credit under the Credit Agreement.

"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 Lessee or any of its Subsidiaries with another Person in order to conduct a common venture or enterprise with such Person.

"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) of the Credit Agreement.

"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 Lessee 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.

"Lease" shall mean that certain Lease Intended as Security dated as of

December 1, 1999, between Certificate Trustee and Lessee, substantially in the form of Exhibit A to the Participation Agreement.

"Lease Balance" shall mean, as of any date of determination, an amount equal to the aggregate sum of the outstanding principal amount of the Loans of all of the Lenders and the outstanding Certificate Amounts of all of the Certificate Purchasers.

"Lease Default" shall mean any event, condition or failure which, with notice or lapse of time or both, would, unless cured or waived, become a Lease Event of Default.

"Lease Event of Default" shall mean any event, condition or failure designated as a "Lease Event of Default" in Section 8.1 of the Lease.

"Lease Expiration Date" shall mean the last day of the Lease Term or any other date on which the Lease is terminated, including pursuant to Sections 6.1 or 8.2 or Article IX of the Lease.

"Lease Term" shall have the meaning provided in Section 4.1 of the Lease.

"Lenders" shall mean the holders of the Notes.

"Lessee" shall mean Ferrellgas, LP, a Delaware limited partnership, in its capacity as Lessee.

"Lessee Collateral" shall mean all of Lessee's right, title and interest in and to each of the following, however arising and whether now existing or hereafter acquired or arising:

(a) the Units (including all Parts thereof, accessions thereto and replacements and substitutions therefor);

(b) the Subleases;

(c) to the extent assignable, all other contracts necessary to operate and maintain the Units;

(d) to the extent assignable, any rights to a rebate, offset or other assignment, warranty or service under a purchase order, invoice or purchase agreement with any manufacturer of any Unit;

(e) all books, manuals, logs, records and other information directly relating to (i) the maintenance, insurance or operation (other than customer information regarding internal classifications of customers, payment history, propane gallons delivered, timing of propane gallons delivered, payment terms and prices charged to customers) of the Units, (ii) the Subleases or (iii) the property described in clauses (c) and (d) above, in each case, in the possession of Lessee; and

(f) all proceeds of and from any and all of the foregoing collateral (including proceeds which constitute property of the types described in clauses (a), (b), (c), (d) and (e) above and, to the extent not otherwise included, all payments under insurance (whether or not Agent is the loss payee thereof), or any indemnity, warranty or guaranty, payable by reason of loss or damage to or otherwise with respect to any of the foregoing collateral);

provided that there is specifically excluded from the Lessee Collateral any receivables arising from the subleasing or operation of the Units by Lessee.

"Lessor" shall mean Certificate Trustee.

"Lessor Collateral" shall mean the collateral described in Section 2 of the Assignment of Lease and Rent.

"Letters of Credit" means, collectively, Standby Letters of Credit and Commercial Letters of Credit.

"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 Lessee 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 Lessee 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 Lessee 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 Lessee and its Subsidiaries in the operation of the acquired business or asset and (ii) non-personnel costs and expenses incurred by Lessee and its Subsidiaries on a per gallon basis in the operation of Lessee's business at similarly situated facilities of Lessee.

"LIBO Rate" shall mean with respect to any Payment Period at any time, the applicable London interbank offered rate for deposits in U.S. dollars appearing on Telerate Page 3750 as of 11:00 a.m. (London time) two (2) Business Days prior to the first day of such Payment Period, and having a maturity approximately equal to such Payment Period; or if no London interbank offered rate of such maturity then appears on Telerate Page 3750, then the rate equal to the London interbank offered rate for deposits in U.S. dollars maturing immediately before or immediately after such maturity, whichever is higher, as determined by the Agent from Telerate Page 3750; or if Telerate page 3750 is not available, the applicable LIBO Rate for the relevant Payment Period shall be the applicable London interbank offered rate for deposits in U.S. Dollars appearing on Reuters Screen LIBO Page as of 11:00 a.m. (London time) two (2) Business Days prior to the first day of such Payment Period, and having a maturity approximately equal to such Payment Period; or if no London interbank offered rate of such maturity then appears on Reuters Screen LIBO Page, then the rate equal to the London interbank offered rate for deposits in U.S. Dollars maturing immediately before or immediately after such maturity, whichever is higher, as determined by the Agent from Reuters Screen LIBO Page; or if Telerate Page 3750 and Reuters Screen LIBO Page are not available, the applicable LIBO Rate for the relevant Payment Period shall be the rate determined by the Agent to be the rate at which Bank of America National Association offers to place deposits in U.S. dollars with first-class banks in the London interbank market at approximately 11:00 a.m. (London time) two (2) Business Days prior to the first day of such Payment Period, in the approximate amount of the aggregate outstanding principal amount of the Notes and Certificate Amounts and having a maturity approximately equal to such Payment Period.

"LIBOR Office" shall mean initially, the funding office of each Participant designated as such in Schedule II to the Participation Agreement; and thereafter, such other office of such Participant, if any, which shall be making or maintaining such Participant's investment in Notes or the Certificates, as applicable.

"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 UCC or any comparable law) and any contingent or other agreement to provide any of the foregoing, but, except as related to the Units, the Lessee Collateral or the Lessor Collateral, not including the interest of a lessor under an operating lease.

"Loan" shall have the meaning provided in Section 2.1 of the Loan Agreement.

"Loan Agreement" shall mean the Loan Agreement dated as of December 1, 1999, among Certificate Trustee, Agent and the Lenders, substantially in the form of Exhibit C to the Participation Agreement.

"Loan Documents" shall mean the Loan Agreement, the Notes, the Assignment of Lease and Rent and all documents and instruments executed and delivered in connection with each of the foregoing.

"Loan Event of Default" shall mean any event, condition or failure designated as a "Loan Event of Default" in Section 6.1 of the Loan Agreement.

"Loan Value" of any Unit or Units suffering a Casualty or series of Casualties means an amount equal to the outstanding principal amount of the Loans multiplied by the Unit Value Fraction of such Unit or Units.

"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 Lessee or Lessee and its Subsidiaries

taken as a whole; (b) a material impairment of the ability of the General Partner or Lessee to perform under any Operative Document or of the General Partner, Lessee or any Subsidiary to avoid any Lease Event of Default; or (c) a material adverse effect upon the legality, validity, binding effect or enforceability against Lessee or the General Partner of any Operative Document.

"MLP" means Ferrellgas Partners, L.P., a Delaware limited partnership and the sole limited partner of Lessee.

"MLP Registration Statement" means the Form F-1 Public Offering Registration Statement of the MLP as filed with the SEC on April 29, 1994.

"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.

"Moody's" shall mean Moody's Investor Service, Inc.

"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).

"Net Proceeds of Asset Sale" means the aggregate cash proceeds received by Lessee 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.

"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 Lessee pursuant to the 1998 Note Purchase Agreement.

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

"Non-Recourse Subsidiary" means any Person that would otherwise be a Subsidiary of Lessee 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 Lessee or any of its Subsidiaries, (ii) is recourse or obligates Lessee or any of its Subsidiaries in any way or (iii) subjects any property or asset of Lessee or any of its Subsidiaries, directly or indirectly, contingently or otherwise, to satisfaction thereof, (b) neither Lessee 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 Lessee and its Subsidiaries than those that might be obtained at the time from persons who are not Affiliates of Lessee, (c) neither Lessee 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 5.38 of the Participation Agreement and (f) such Person takes steps designed to assure that neither Lessee 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 Lessee.

"Notes" shall mean the notes issued by the Borrower under the Loan Agreement and denominated as such, substantially in the form of Exhibit A to the Loan Agreement, and any and all Notes issued in replacement or exchange therefor in accordance with the provisions thereof.

"Obligations" means, in each case, whether now in existence or hereafter arising: (a) the principal and Certificate Amount of and Interest and Yield on (including interest accruing after the filing of any bankruptcy or similar petition) the Notes and the Certificates, and (b) all other fees and commissions (including attorney's fees), charges, indebtedness, loans, liabilities, financial accommodations, obligations, covenants and duties owing by Lessee to the Participants, the Certificate Trustee or the Agent, of every kind, nature and description, direct or indirect, absolute or contingent, due or to become due, contractual or tortious, liquidated or unliquidated, and whether or not evidenced by any note, in each case under or in respect of the Operative Documents.

"Officer's Certificate" of a Person means a certificate signed by a Responsible Officer of such Person.

"Operative Documents" shall mean the Participation Agreement, the Lease, the Bill of Sale, the Loan Agreement, the Assignment of Lease and Rent, the Syndication Agreement, the Trust Agreement, the Notes and the Certificates.

"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.

"Original Part" shall have the meaning provided in Section 5.4 of the Lease.

"Other Certificate Amounts" means the then outstanding "Certificate Amounts" under the Other Transaction.

"Other Certificate Holders" means the "Certificate Holders" party to the Other Transaction.

"Other Lease" means the Lease Intended as Security dated as of December 15, 1999 between Thermogas Company, as lessee and First Security Bank, National Association, not in its individual capacity but solely as trustee, as lessor.

"Other Lenders" means the "Lenders" party to the Other Transaction.

"Other Loans" means the then outstanding "Loans" under the Other Transaction.

"Other Transaction" means the \$135,000,000 synthetic lease financing of propane tanks for Thermogas Company pursuant to the Other Lease and related documents dated as of December 15, 1999, which is to be assumed by Lessee pursuant to Section 9.17 of the Participation Agreement.

"Overall Transaction" shall mean all the transactions and activities referred to in or contemplated by the Operative Documents.

"Overdue Rate" shall mean the lesser of (a) the highest interest rate permitted by Applicable Laws and Regulations and (b) an interest rate per annum equal to, in the case of the Notes, the rate of interest otherwise payable with respect thereto plus 2% and, in the case of the Certificates, the Yield Rate plus 2%.

"Part" shall have the meaning provided in Section 5.4 of the Lease.

"Participants" shall mean the Certificate Purchasers and the Lenders, collectively.

"Participation" shall have the meaning provided in Section 6.4 of the Participation Agreement.

"Participation Agreement" shall mean the Participation Agreement dated as of December 1, 1999 among Lessee, Certificate Trustee, Agent and the Participants.

"Participation Holder" shall have the meaning provided in Section 6.4 of the Participation Agreement.

"Partnership Agreement" shall mean the Agreement of Limited Partnership of Lessee dated July 5, 1994, as amended from time to time in accordance with the terms of the Participation Agreement.

"Payment Date" shall mean the Interim Term Expiration Date and the last day of each Payment Period.

"Payment Default" shall mean an event described in Section 8.1(a) of the Lease (without giving effect to any grace periods).

"Payment Period" shall mean Quarterly Payment Period during the Base Term; provided that any Payment Period that would otherwise extend beyond the Final Maturity Date shall end on the Final Maturity Date.

"PBGCC" 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 Lessee 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 Lessee and its Subsidiaries which comply with the provisions of Section 5.20 of the Participation Agreement.

"Permitted Contest" shall mean actions taken by a Person so long as no Lease Event of Default shall have occurred and be continuing to contest in good faith, by appropriate proceedings initiated timely and diligently prosecuted, the legality, validity or applicability to Lessee or any Subsidiary thereof or to the Units or any interest therein or to the operation, use or maintenance thereof by, any Person of: (a) any Applicable Laws and Regulations; (b) any term or condition of, or any revocation or amendment of, or other proceeding relating to, any Governmental Action; (c) any utility charges; (d) any Insurance Requirements; or (e) any Lien or Tax; provided that the initiation and prosecution of such contest would not: (i) result in, or materially increase the risk of, the imposition of any criminal liability or material civil liability on any Indemnitee; (ii) be reasonably likely to adversely affect the lien and security interests created by the Operative Documents or the right, title or interest of Certificate Trustee or Agent in or to the Units or the right of Certificate Trustee, Agent, or any Participant to receive payment of the Certificate Amount of or Yield on any Certificate, the principal of or interest on any Note, Rent, the Lease Balance, the Proceeds or any other amount payable under the Operative Documents or any interest therein; (iii) be reasonably likely to adversely affect the fair market value, utility or remaining useful life of the Units or any interest therein or the continued economic operation thereof; (iv) involve any risk of the sale, forfeiture or loss of any part of the Units, the Trust Estate, title thereto or any interest therein or interfere with the use or disposition of the Units, the Trust Estate or the payment of Rent or (v) otherwise be reasonably expected to result in a Material Adverse Effect; and provided further that in any event reserves to the extent required by GAAP are maintained against any adverse determination of such contest.

"Permitted Encumbrances" has the meaning specified in Section 5.17 of the Participation Agreement.

"Permitted Investments" shall mean (i) full faith and credit obligations of the United States of America, or fully guaranteed as to interest and principal by the full faith and credit of the United States of America, of deposit having a final maturity of not more than one year after the date of issuance maturing in not more than one year from the date such investment is made, (ii) certificates of deposit, of a Participant or of any other commercial bank incorporated under the laws of the United States of America or any state thereof or the District of Columbia, which bank is a member of the Federal Reserve System and has a combined capital and surplus of not less than \$500,000,000 and with a senior unsecured debt credit rating of at least "A" by Moody's and "A" by S&P, (iii) commercial paper of the Participants having a remaining term until maturity of not more than 180 days from the date such investment is made, (iv) commercial paper of companies, banks, trust companies or national banking associations (in each case excluding Lessee and its Affiliates) incorporated or doing business under the laws of the United States or one of the States thereof, in each case having a remaining term until maturity of not more than 180 days from the date such investment is made and rated at least "P-1" by Moody's or at least "A-1" by S&P and (v) repurchase agreements maturing within one year with any financial institution having combined capital and surplus of not less than \$500,000,000 with any of the obligations described in clauses (i) through (iv) as collateral so long as title to the underlying obligations pass to Agent and such underlying securities shall be segregated in a custodial or trust account for the benefit of Agent.

"Permitted Lessee Investments" means (a) any investments in Cash Equivalents; (b) any investments in Lessee or in a Wholly-Owned Subsidiary of Lessee that is a Guarantor; (c) investments by Lessee or any Subsidiary of Lessee in a Person, if as a result of such investment (i) such Person becomes a Wholly-Owned Subsidiary of Lessee 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, Lessee or a Wholly-Owned Subsidiary of Lessee that is a Guarantor; and (d) other investments in Non-Recourse Subsidiaries of Lessee that do not exceed \$30 million in the aggregate.

"Permitted Liens" shall mean (a) the respective rights and interests of Lessee, the Participants, Agent, and Certificate Trustee, as provided in the Operative Documents, (b) Certificate Trustee Liens, (c) Liens for current Taxes either not yet delinquent or being contested by a Permitted Contest, (d) the leasehold interest of any Person under any Sublease permitted under Section 5.2 of the Lease, and (e) materialmen's, mechanics', workers', repairmen's, employees' or other like Liens arising in the ordinary course of business for amounts either not yet due or being contested by a Permitted Contest.

"Permitted Modification" shall have the meaning provided in Section 5.4

of the Lease.

"Permitted Refinancing Indebtedness" means any Indebtedness of Lessee or any Subsidiary of Lessee issued in exchange for, or the net proceeds of which are used to extend, refinance, renew, replace, defease or refund other Indebtedness of Lessee 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 5.21 to the Participation Agreement; and (d) such Indebtedness is incurred by Lessee 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 Lessee sponsors or maintains or to which Lessee 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 Lessee, the Leverage Ratio for the fiscal period consisting of such fiscal quarter of Lessee and the three immediately preceding fiscal quarters of Lessee.

"Proceeds" shall have the meaning specified in Section 9.1(b) of the Lease.

"Purchase Option" shall have the meaning provided in Section 9.1(a) of the Lease.

"Purchase Option Exercise Amount" shall mean, as of any date of determination and without duplication, the sum of (a) the Lease Balance as of the date of purchase, plus (b) all accrued but unpaid Basic Rent, plus (c) all other Supplemental Rent then due and owing, if any.

"Purchase Price" for a Unit shall mean the Appraised Value of such Unit, and the aggregate Purchase Price of all Units shall be the aggregate Appraised Value of the Units, not to exceed \$25,000,000 in the aggregate.

"Quarterly Payment Period" shall mean successive calendar quarters commencing on the Interim Expiration Date; provided, however, that (a) if such Payment Period would otherwise end on a day which is not a Business Day, then such Payment Period shall be extended to the next following Business Day, unless (solely for purposes of determining Payment Periods in connection with calculating Rent on a LIBO Rate basis) the effect of such extension would be to carry such Payment Period into another calendar month, in which case such Payment Period shall end on the Business Day immediately preceding such numerically corresponding day, and (b) no Payment Period may end later than the last day of the Lease Term.

"Related Operative Documents" means the Other Lease and the "Operative Documents" referred to therein relating to the Other Transaction.

"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.

"Release" shall mean the release, deposit, disposal or leak of any Hazardous Material into or upon or under any land or water or air, or otherwise into the environment, including, without limitation, by shall mean of burial, disposal, discharge, emission, injection, spillage, leakage, seepage, leaching, dumping, pumping, pouring, escaping, emptying, placement and the like.

"Removable Part" shall have the meaning provided in Section 5.4 of the Lease.

"Rent" shall mean Basic Rent and Supplemental Rent, collectively.

"Replacement Parts" shall have the meaning provided in Section 5.4 of the Lease.

"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.



"Required Alteration" shall have the meaning provided in Section 5.4 of the Lease.

"Required Certificate Purchasers" shall mean, as of the date of the determination, Certificate Purchasers having unpaid Certificate Amounts equal to at least a majority of the aggregate unpaid Certificate Amounts.

"Required Participants" shall mean, as of the date of the determination, (i) Lenders holding at least a majority in aggregate principal amount, of outstanding Loans and (ii) Certificate Purchasers holding at least a majority in aggregate principal amount, of Certificates.

"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 (a) in the case of Lessee or the General Partner, 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 Lessee; or, with respect to 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 Lessee or any other employee of the General Partner designated in a certificate of a Responsible Officer to have authority in such matters, and (b) in the case of any other Person, the Chairman or Vice Chairman of the Board of Directors, the Chairman or Vice Chairman of the Executive Committee of the Board of Directors, the President, any Senior Vice President or Executive Vice President, any Vice President, the Secretary, the Treasurer, any Assistant Treasurer or comptroller.

"Restatement Effective Date" means August 4, 1998.

"Restricted Payments" has the meaning specified in Section 5.28 of the Participation Agreement.

"Revolving Loans" means, collectively, the Facility A Revolving Loans, the Facility B Revolving Loans and the Facility C Revolving Loans.

"S&P" shall mean Standard & Poor's Ratings Service, a division of The McGraw Hill Companies, Inc.

"Sale Option" shall have the meaning provided in Section 9.1(b) of the Lease.

"SEC" means the Securities and Exchange Commission, or any Governmental Authority succeeding to any of its principal functions.

"Securities Act" shall mean the Securities Act of 1933, as amended.

"Significant Subsidiary" means any Subsidiary of Lessee 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.

"SPE" shall mean any special purpose Non-Recourse Subsidiary of Lessee established in connection with Accounts Receivable Securitizations permitted by Section 5.21 of the Participation Agreement.

"Standby Letters of Credit" means standby letters of credit Issued by an Issuing Bank pursuant to Article III of the Credit Agreement.

"Sublease" shall have the meaning provided in Section 5.2 of the Lease.

"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 Lessee 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 Lessee.

"Supplemental Rent" shall mean any and all amounts, liabilities and

obligations other than Basic Rent which Lessee assumes or agrees or is otherwise obligated to pay under the Lease or any other Operative Document (whether or not designated as Supplemental Rent) to Certificate Trustee, Agent, any Participant, or any other Person, including, without limitation, Purchase Option Exercise Amount, Additional Costs, Applicable Percentage Amount, and indemnities and damages for breach of any covenants, representations, warranties or agreements.

"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 of the Credit Agreement.

"Syndication Agreement" is defined in Section 3.1(v) of the Participation Agreement

"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" and "Tax" shall mean any and all fees (including, without limitation, documentation, recording, license and registration fees), taxes (including, without limitation, income (whether net, gross or adjusted gross), gross receipts, sales, rental, use, turnover, value-added, property, excise and stamp taxes), levies, imposts, duties, charges, assessments or withholdings of any nature whatsoever, together with any penalties, fines or interest thereon or additions thereto.

"Termination Date" shall mean the date on which the Lease Term ends pursuant to (a) Article VIII in connection with a Lease Event of Default, or (b) Section 9.5 in connection with an early termination, or (c) Section 9.1 in connection with the exercise of the Purchase Option or Sale Option.

"Thermogas" means Thermogas Company and, upon conversion of Thermogas Company from a Delaware corporation into a Delaware limited liability company, Thermogas LLC (or other named company resulting from such conversion).

"Thermogas Acquisition" means the occurrence of all of the following: (a) the acquisition by the MLP of all of the capital stock or member interests (as applicable) of Thermogas; (b) the contribution by the MLP of such capital stock or member interests to the Borrower; and (c) the assumption by Lessee of any and all Acquired Debt and Synthetic Lease Obligations obtained in connection with such acquisition.

"Transaction Costs" shall mean transaction costs and expenses incurred by the Arranger, the Certificate Trustee, Lessee, Participants and Agent in connection with the consummation of the transactions contemplated by the Operative Documents, and the preparation, negotiation, execution and delivery of the Operative Documents, including (1) the reasonable fees, expenses and disbursements of Chapman and Cutler, special counsel to the Participants and the Arranger; (2) the Arranger's fee pursuant to the Arranger's Fee Letter; (3) Arranger's reasonable costs and expenses including the reasonable allocated costs of internal counsel to the Arranger and syndication expenses; (4) the reasonable fees and expenses of local counsel in each State in which the Units are located; (5) the initial and ongoing fees and reasonable expenses of the Certificate Trustee and the Agent and their special counsel; (6) all appraisal fees and reasonable expenses with respect to the Units; (7) all search fees, recording and filing fees incurred in connection with the filing of the Lease, the Assignment of Lease, all Financing Statements and any other documents, (8) the reasonable fees and expenses of counsel to Lessee; and (9) the reasonable fees and expenses of financial advisor to Lessee.

"Trust" shall mean the trust created by the Trust Agreement.

"Trust Agreement" shall mean the Trust Agreement, dated as of December 1, 1999, between Certificate Trustee and the Certificate Purchasers, substantially in the form of Exhibit F to the Participation Agreement.

"Trust Estate" shall mean all estate, right, title and interest of Certificate Trustee in, to and under the Units, the Lessee Collateral, the Lessor Collateral, the Trust Agreement, the Lease, and all of the other Operative Documents, including (i) all amounts (other than Excluded Amounts) of Rent and other payments due or to become due of any kind for or with respect to the Units or payable under any of the foregoing, (ii) any or all payments or proceeds received by Certificate Trustee after the termination of the Lease with respect to the Units as the result of the sale, lease or other disposition thereof and (iii) proceeds of the investments in the Certificates, all of which, together with any other moneys, proceeds or property at any time received by Certificate Trustee under or in connection with the Operative Documents.

"Trustee Fee Letter" shall mean that certain Fee Letter dated November 17, 1999 between Certificate Trustee and Lessee.

"UCC" shall mean the Uniform Commercial Code of any applicable jurisdiction.

"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.

"Unit" shall have the meaning provided in the Recitals to the Lease.

"Unit Value Fraction" shall mean, with respect to any Unit, a fraction determined as of any Payment Date the numerator of which is the Purchase Price for such Unit and the denominator of which is the aggregate Purchase Price of all Units then subject to the Lease, including such Unit.

"United States" and "U.S." each means the United States of America.

"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 Lessee, a Wholly-Owned Subsidiary of Lessee or both.

"Yield" shall mean with respect to each Payment Period (a) the Yield Rate for such Payment Period multiplied by (b) the aggregate Certificate Amounts outstanding.

"Yield Rate" shall mean, with respect to each Payment Period, the applicable rate at which Yield shall accrue and be payable from time to time on the Certificates, which rate shall be the rate per annum equal to the sum of (i) the LIBO Rate for such Payment Period plus (ii) 4.00% or, at any time the Certificates bear interest at the Alternate Base Rate, the Alternate Base Rate for such Payment Period.

SCHEDULE I-A

CERTIFICATE PURCHASER COMMITMENTS AND COMMITMENT PERCENTAGES

CERTIFICATE PURCHASER	COMMITMENT PERCENTAGE	COMMITMENT
Banc of America Leasing & Capital, LLC	100%	\$1,312,500

SCHEDULE I-B

LENDER COMMITMENTS AND COMMITMENT PERCENTAGES

LENDER	COMMITMENT PERCENTAGE	COMMITMENT
Banc of America Leasing & Capital, LLC	100%	\$23,687,500

  

CLASS OF NOTES	PERCENTAGE OF PURCHASE PRICE	AGGREGATE AMOUNT
Class A	82.50%	\$20,625,000
Class B	12.25%	\$3,062,500

SCHEDULE II

NOTICE INFORMATION AND PAYMENT INSTRUCTIONS

LESSEE

Ferrellgas, LP  
One Liberty Plaza  
Liberty, Missouri 64068  
Contact: Chief Financial Officer  
Telephone: (816) 792-6901  
Fax: (816) 792-6978

CERTIFICATE TRUSTEE

First Security Bank, National Association  
79 South Main Street  
Salt Lake City, Utah 84111  
Contact: Corporate Trust Department  
Telephone: (801) 246-5630  
Fax: (801) 246-5053

Payment Instructions

First Security Bank, N.A.  
ABA No. 124000012  
Acct: 0510922115  
Attn: Corporate Trust Services  
Re: Ferrellgas - 36078

AGENT

First Security Trust Company of Nevada  
79 South Main Street  
Salt Lake City, Utah 84111  
Contact: Corporate Trust Department  
Telephone: (801) 246-5630  
Fax: (801) 246-5053

Payment Instructions

First Security Bank, N.A.  
ABA No. 124000012  
Acct: 0510922115  
Attn: Corporate Trust Services  
Re: Ferrellgas - 36079

CERTIFICATE PURCHASER

Banc of America Leasing & Capital, LLC  
2059 Northlake Parkway  
Tucker, Georgia 30084  
Contact: Rena Wilson  
Telephone: (770) 270-8421

Payment Instructions

Bank of America, N.A.  
Atlanta, Georgia  
ABA No.: 061000052  
Account No.: 01-022-13-569  
Account Name: BALLC  
Reference: Ferrellgas  
Attention: Rana Wilson

LENDER

Banc of America Leasing & Capital, LLC  
2059 Northlake Parkway  
Tucker, Georgia 30084  
Contact: Rena Wilson  
Telephone: (770) 270-8421

Payment Instructions

Bank of America, N.A.  
Atlanta, Georgia  
ABA No.: 061000052  
Account No.: 01-022-13-569  
Account Name: BALLC  
Reference: Ferrellgas  
Attention: Rana Wilson



SCHEDULE III

UNITS



SCHEDULE 3.1(o)

FILINGS AND RECORDINGS

(1) UCC-1 Financing Statement naming Lessee as debtor, Certificate Trustee as secured party and Agent as assignee of secured party and covering the Units and the other Lessee Collateral, to be filed with the Secretary of State of the State of Wisconsin.

(2) UCC-1 Financing Statement naming Certificate Trustee as debtor and Agent as secured party and covering the Units and the other Lessor Collateral, to be filed with the State Corporation Commission of the State of Utah.

SCHEDULE 4.1 (g)

ERISA MATTERS

Ferrellgas, Inc. Single Employer Defined Benefit Plan. The Ferrellgas, Inc. Single Employer Benefit Plan has a projected benefit obligation of no more than \$3,179,000. The Ferrellgas, Inc. Single Employer Benefit Plan is currently being funded in accordance with ERISA.

Lessee makes annual contribution of approximately \$107,340 to Central States Pension Fund and the Western Conference of Teamsters Fund on behalf of approximately 48 employees covered by five collective bargaining arrangements.

SCHEDULE 4.1(p)

SUBSIDIARIES AND AFFILIATES

(a) Subsidiaries:

None.

Affiliates:

- o Ferrellgas Partners L.P. - Limited Partner of Ferrellgas, L.P.
- o Ferrellgas Partners Finance Corp. - wholly-owned subsidiary of Ferrellgas Partners, L.P.
- o Ferrellgas, Inc. - General Partner of Ferrellgas, L.P.
- o Ferrellgas Acquisition Company, LLC
- o Ferrellgas Propane, Inc.
- o Ferrellgas Companies, Inc.

(b) None.

SCHEDULE 5.21

EXISTING INDEBTEDNESS

FORM OF TRANSFER DOCUMENTATION

THIRD AMENDMENT  
TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT

This THIRD AMENDMENT TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT (this "Amendment"), dated as of December 2, 1999, is entered into by and 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"), each of the financial institutions referred to as Banks in the Existing Credit Agreement referred to below (collectively, the "Banks") and BANK OF AMERICA, N.A. (formerly known as BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION), as agent for the Banks (in such capacity, the "Administrative Agent"), and amends that certain Second Amended and Restated Credit Agreement, dated as of July 2, 1998 (as the same is in effect immediately prior to the effectiveness of this Amendment, the "Existing Credit Agreement" and as the same may be amended, supplemented or modified and in effect from time to time, the "Credit Agreement"), by and among the Borrower, the General Partner, the Administrative Agent and the Banks from time to time party to the Credit Agreement. Capitalized terms used and not otherwise defined in this Amendment shall have the same meanings in this Amendment as set forth in the Credit Agreement, and the rules of interpretation set forth in Section 1.02 of the Credit Agreement shall be applicable to this Amendment.

RECITAL

The Borrower has requested that the Banks amend the Existing Credit Agreement in the respects set forth below in this Amendment, and the Banks are willing to agree to so amend the Existing Credit Agreement on the terms and subject to the conditions set forth below.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing, the mutual covenants and agreements set forth below and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties agree as follows:

SECTION 1. Amendments. On the terms of this Amendment and subject to the satisfaction of the conditions precedent set forth below in Section 3:

(a) Section 1.01 of the Existing Credit Agreement is hereby amended by the addition of the following definitions in such Section 1.01 in appropriate alphabetical order:

"Accounts Receivable Securitization" shall mean a financing arrangement involving the transfer or sale of accounts receivable of the Borrower in the ordinary course of business through one or more SPEs, the terms of which arrangement do not impose (a) any recourse or repurchase obligations upon the Borrower or any Affiliate of the Borrower (other than any such SPE) except to the extent of the breach of a representation or warranty by the Borrower in connection therewith or (b) any negative pledge or Lien on any accounts receivable not actually transferred to any such SPE in connection with such arrangement.

"SPE" shall mean any special purpose Non-Recourse Subsidiary of the Borrower established in connection with Accounts Receivable Securitizations permitted by Section 8.05.

"Thermogas" means Thermogas Company and, upon conversion of Thermogas Company from a Delaware corporation into a Delaware limited liability company, Thermogas LLC (or other named company resulting from such conversion).

"Thermogas Acquisition" means the occurrence of all of the following: (a) the acquisition by the MLP of all of the capital stock or member interests (as applicable) of Thermogas; (b) the contribution by the MLP of such capital stock or member interests to the Borrower; and (c) the assumption by the Borrower of any and all Acquired Debt and Synthetic Lease Obligations obtained in connection with such acquisition.

(b) Section 1.01 of the Existing Credit Agreement is hereby amended by replacing the chart in the definition of "Applicable Margin" in such Section 1.01 with the following:

Pricing Ratio	Base Rate Loans	Eurodollar Rate Loans
Level 1	0.00 b.p.	62.50 b.p.
Level 2	0.00 b.p.	75.00 b.p.
Level 3	0.00 b.p.	100.00 b.p.
Level 4	25.00 b.p.	125.00 b.p.
Level 5	50.00 b.p.	150.00 b.p.
Level 6	75.00 b.p.	175.00 b.p.
Level 7	100.00 b.p.	200.00 b.p.

(c) Section 1.01 of the Existing Credit Agreement is hereby amended by replacing the chart in the definition of "Commercial Letter of Credit Risk Participation Percentage" in such Section 1.01 with the following:

Pricing Ratio	Commercial Letter of Credit Risk Participation Percentage
Level 1	25.00 b.p.
Level 2	30.00 b.p.
Level 3	35.00 b.p.
Level 4	42.50 b.p.
Level 5	50.00 b.p.
Level 6	57.50 b.p.
Level 7	65.00 b.p.

(d) Section 1.01 of the Existing Credit Agreement is hereby amended by replacing the chart in the definition of "Commitment Fee Rate" in such Section 1.01 with the following:

Pricing Ratio	Commitment Fee Rate
Level 1	17.50 b.p.
Level 2	22.50 b.p.
Level 3	27.50 b.p.
Level 4	32.50 b.p.
Level 5	37.50 b.p.
Level 6	42.50 b.p.
Level 7	50.00 b.p.

(e) Section 1.01 of the Existing Credit Agreement is hereby amended by replacing the definition of "Indebtedness" in such Section 1.01 with the following:

"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 obligations in respect of Accounts Receivable Securitizations; (i) all indebtedness referred to in clauses (a) through (h) 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 (j) all Guaranty Obligations in respect of indebtedness or obligations of others of the kinds referred to in clauses (a) through (i) above; provided, however, that "Indebtedness" shall not include Synthetic Lease Obligations.

(f) Section 1.01 of the Existing Credit Agreement is hereby amended by replacing the definition of "Level" in such Section 1.01 with the following:

"Level" means, at any time, Level 1, Level 2, Level 3, Level 4, Level 5, Level 6 or Level 7 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 < 1.75
Level 2	1.75 < PR < 2.75
Level 3	2.75 < PR < 3.25
Level 4	3.25 < PR < 3.75
Level 5	3.75 < PR < 4.25
Level 6	4.25 [OBJECT OMITTED] PR < 4.75
Level 7	4.75 [OBJECT OMITTED] PR

The Level of the Pricing Ratio for the period from and after the date on which the Thermogas Acquisition occurs through the last day of the fiscal quarter of the Borrower ending January 31, 2000 shall be equal to Level 7. 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 Certificate 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 7 as of the first day of the fiscal quarter beginning after the fiscal quarter for which such Compliance Certificate was due.

(g) Section 1.01 of the Existing Credit Agreement is hereby amended by replacing the chart in the definition of "Standby Letter of Credit Risk Participation Percentage" in such Section 1.01 with the following:

Pricing Ratio	Standby Letter of Credit Risk Participation Percentage
Level 1	62.50 b.p.
Level 2	75.00 b.p.
Level 3	100.00 b.p.
Level 4	125.00 b.p.
Level 5	150.00 b.p.
Level 6	175.00 b.p.
Level 7	200.00 b.p.

(h) Section 6.16 of the Existing Credit Agreement is hereby amended to read in its entirety as follows:

6.16. Subsidiaries and Affiliates. The Borrower (a) has no Subsidiaries or other Affiliates except (i) those specifically disclosed in part (a) of Schedule 6.16 hereto, (ii) one or more SPEs established in connection with Accounts Receivable Securitizations permitted by Section 8.05, (iii) Subsidiaries established in compliance with Section 8.21 and (iv) Thermogas (but only for so long as Thermogas shall be permitted to be operated as a Wholly-Owned Subsidiary of the Borrower as set forth in the proviso to Section 8.21) and (b) has no equity investments in any corporation or entity other than Subsidiaries and Affiliates disclosed in subsection (a) above and those Permitted Investments specifically disclosed in part (b) of Schedule 6.16.

(i) Section 7.12 of the Existing Credit Agreement is hereby amended by replacing the first sentence of subsection (a) of such Section 7.12 with the following:

(a) Leverage Ratio. The Borrower shall maintain as of the last day of each fiscal quarter a Leverage Ratio equal to or less than 4.75 to 1.00 (or, if the Thermogas Acquisition shall have been consummated on or prior to January 31, 2000, the Borrower shall be required to maintain from and after the date of such Thermogas Acquisition a Leverage Ratio equal to or less than (i) 5.25 to 1.00 as of the last day of each fiscal quarter ending on or prior to January 31, 2000, (ii) 5.10 to 1.00 as of the last day of each fiscal quarter ending during the period commencing on February 1, 2000 and ending on January 31, 2001 and (iii) 4.75 to 1.00 as of the last day of each fiscal quarter ending after January 31, 2001).

(j) Section 7.12 of the Existing Credit Agreement is hereby further amended by replacing subsection (b) of such Section 7.12 with the following:

(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 (or, if the Thermogas Acquisition shall have been consummated on or prior to January 31, 2000, the Borrower shall be required to maintain from and after the date of such Thermogas Acquisition an Interest Coverage Ratio of at least 2.25 to 1.00 for each such period of four fiscal quarters ending on or prior to January 31, 2001 and 2.50 to 1.00 each such period of four fiscal quarters ending after January 31, 2001).

(k) Section 8.01 of the Existing Credit Agreement is hereby amended by deleting the words "in the ordinary course of business" in subsection (k) of such Section 8.01.

(l) Section 8.01 of the Existing Credit Agreement is hereby further amended by deleting the word "and" at the end of subsection (o) of such Section 8.01, substituting a semi-colon for the period at the end of subsection (p) thereof; adding the word "and" following such semi-colon, and adding the following subsection (q) to such Section 8.01:

(q) Liens securing Indebtedness of an SPE in connection with an Accounts Receivable Securitization permitted by Section 8.05 (including the filing of any related financing statements naming the Borrower as the debtor thereunder in connection with the sale of accounts receivable



by the Borrower to such SPE in connection with any such permitted Accounts Receivable Securitization); provided that the aggregate amount of accounts receivable subject to all such Liens shall at no time exceed 133% of the amount of Accounts Receivable Securitizations permitted to be outstanding under such Section 8.05.

(m) Section 8.02 of the Existing Credit Agreement is hereby amended by replacing the last sentence of such Section 8.02 with the following:

Notwithstanding the foregoing, Asset Sales shall not be deemed to include (w) sales or transfers of accounts receivable by the Borrower to an SPE and by an SPE to any other Person in connection with any Accounts Receivable Securitization permitted by Section 8.05 (provided that the aggregate amount of such accounts receivable that shall have been transferred to and held by all SPEs at any time shall not exceed 133% of the amount of Accounts Receivable Securitizations permitted to be outstanding under Section 8.05), (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 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 or any sale-leaseback (including sale-leasebacks involving Synthetic Leases) permitted by Section 8.17.

(n) Section 8.05 of the Existing Credit Agreement is hereby amended by replacing the final proviso of such Section 8.05 with the following:

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, and (z) the aggregate amount of Indebtedness of the Borrower and its Subsidiaries through one or more SPEs in connection with Accounts Receivable Securitizations shall not exceed \$60,000,000 at any one time outstanding.

(o) Section 8.06 of the Existing Credit Agreement is hereby amended by substituting a semi-colon for the period at the end of such Section 8.06, adding the word "and" following such semi-colon, and thereafter adding the following proviso to the end of such Section 8.06:

provided, further, that the foregoing provisions of this Section 8.06 shall not apply to transfers of accounts receivable of the Borrower to an SPE in connection with any Accounts Receivable Securitization permitted by Section 8.05.

(p) Section 8.17 of the Existing Credit Agreement is hereby amended to read in its entirety as follows:

8.17. Limitation on Sale and Leaseback Transactions. 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; (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; or (iii) such sale and leaseback transaction is otherwise permitted by the last sentence of Section 4.17 of the 1996 Indenture as in effect as of the date hereof.

(q) Section 8.21 of the Existing Credit Agreement is hereby amended by substituting a semi-colon for the period at the end of such Section 8.21 and adding the following proviso to the end of such Section 8.21 following such

semi-colon:

provided, however, that the Borrower may, without regard to the foregoing provisions of this Section 8.21, (x) establish and operate SPEs solely in connection with Accounts Receivable Securitizations permitted by Section 8.05 and (y) operate Thermogas as a Wholly-Owned Subsidiary for a period of up to (but not exceeding) 30 days following the consummation of the Thermogas Acquisition pending the merger of Thermogas with and into the Borrower.

(r) Section 9.01 of the Existing Credit Agreement is hereby amended by replacing clause (ii) of subsection (e) of such Section 9.01 with the following:

(ii) fails to perform or observe any other condition or covenant, or any other event (including any termination or similar event in respect of any Accounts Receivable Securitization) 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

SECTION 2. Waiver. The Banks hereby waive any Default or Event of Default arising as a result of any breach of Section 7.12(a) or Section 7.12(b) of the Existing Credit Agreement solely in connection with the pro forma calculation of the Leverage Ratio and the Interest Coverage Ratio as of October 31, 1999 as required by the definitions of "Leverage Ratio" and "Interest Coverage Ratio" in Section 1.01 of the Existing Credit Agreement in connection with the Thermogas Acquisition.

SECTION 3. Conditions to Effectiveness. The amendments set forth in Section 1 of this Amendment and the waiver set forth in Section 2 of this Amendment shall become effective only upon the satisfaction of all of the following conditions precedent (the date of satisfaction of all such conditions being referred to as the "Amendment Effective Date"):

(a) The Administrative Agent shall have received, on behalf of the Banks, this Amendment, duly executed and delivered by the Borrower, the General Partner, the Majority Banks and the Administrative Agent.

(b) The Administrative Agent shall have received, for the account of each Bank that shall have executed and delivered this Amendment (without any reservation or condition) to the Administrative Agent before 4:00 p.m. (New York City time) on November 24, 1999, a non-refundable amendment fee in an amount equal to 0.15% of the sum of the Facility A Commitment, Facility B Commitment and Facility C Commitment of such Bank (in each case without regard to usage).

(c) All corporate, partnership and other proceedings taken or to be taken in connection with the transactions contemplated by this Amendment, and all documents incidental thereto, shall be reasonably satisfactory in form and substance to the Administrative Agent and its counsel, and the Administrative Agent and such counsel shall have received all such counterpart originals or certified copies of such documents as they may reasonably request.

(d) The Administrative Agent shall have received such other documents, opinions, certificates and evidence as the Administrative Agent and its counsel may reasonably request.

(e) The representations and warranties set forth in this Amendment shall be true and correct as of the Amendment Effective Date.

SECTION 4. Representations and Warranties. In order to induce the Administrative Agent and the Banks to enter into this Amendment and to amend the Existing Credit Agreement in the manner provided in this Amendment, the Borrower and the General Partner represent and warrant to the Administrative Agent and each Bank as of the Amendment Effective Date as follows:

(a) Power and Authority. The Borrower and the General Partner have all requisite corporate or partnership power and authority to enter into this Amendment and to carry out the transactions contemplated by, and perform their respective obligations under, the Existing Credit Agreement as amended by this Amendment (hereafter referred to as the "Amended Credit Agreement").

(b) Authorization of Agreements. The execution and delivery of this Amendment by the Borrower and the General Partner and the performance of the Amended Credit Agreement by the Borrower and the General Partner have been duly authorized by all necessary action, and this Amendment has been duly executed and delivered by

the Borrower and the General Partner.

(c) Enforceability. Each of this Amendment and the Amended Credit Agreement constitutes the legal, valid and binding obligation of the Borrower and the General Partner enforceable against the Borrower and the General Partner in accordance with its terms, except as may be limited by bankruptcy, insolvency or other similar laws affecting the enforcement of creditors' rights in general. The enforceability of the obligations of the Borrower and the General Partner hereunder is subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

(d) No Conflict. The execution and delivery by the Borrower and the General Partner of this Amendment and the performance by the Borrower and the General Partner of each of this Amendment and the Amended Credit Agreement do not and will not (i) contravene, in any material respect, any provision of any law, regulation, decree, ruling, judgment or order that is applicable to the Borrower or the General Partner, as the case may be, or their respective properties or other assets, (ii) result in a breach of or constitute a default under the charter, bylaws or other organizational documents of the Borrower or the General Partner, as the case may be, or any material agreement, indenture, lease or instrument binding upon the Borrower or the General Partner or their respective properties or other assets or (iii) result in the creation or imposition of any Liens on their respective properties other than as permitted under the Credit Agreement.

(e) Governmental Consents. No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution, delivery and performance by the Borrower or the General Partner of this Amendment.

(f) Representations and Warranties in the Credit Agreement. The Borrower and the General Partner confirm that as of the Amendment Effective Date the representations and warranties contained in Article VI of the Credit Agreement are (before and after giving effect to this Amendment) true and correct in all material respects (except to the extent any such representation and warranty is expressly stated to have been made as of a specific date, in which case it shall be true and correct as of such specific date) and that no Default has occurred and is continuing.

#### SECTION 5. Miscellaneous.

(a) Reference to and Effect on the Existing Credit Agreement and the other Loan Documents.

(i) Except as specifically amended by this Amendment and the documents executed and delivered in connection herewith, the Existing Credit Agreement and the other Loan Documents shall remain in full force and effect and are hereby ratified and confirmed.

(ii) The execution and delivery of this Amendment and performance of the Amended Credit Agreement shall not, except as expressly provided herein, constitute a waiver of any provision of, or operate as a waiver of any right, power or remedy of the Banks under, the Existing Credit Agreement or any of the other Loan Documents.

(iii) Upon the conditions precedent set forth herein being satisfied, this Amendment shall be construed as one with the Existing Credit Agreement, and the Existing Credit Agreement shall, where the context requires, be read and construed throughout so as to incorporate this Amendment.

(b) Expenses. The Borrower and the General Partner acknowledge that all costs and expenses of the Administrative Agent incurred in connection with this Amendment will be paid in accordance with Section 11.04 of the Existing Credit Agreement.

(c) Headings. Section and subsection headings in this Amendment are included for convenience of reference only and shall not constitute a part of this Amendment for any other purpose or be given any substantive effect.

(d) Counterparts. This Amendment may be executed in one or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument. Transmission by telecopier of an executed counterpart of this Amendment shall be deemed to constitute due and sufficient delivery of such counterpart.

(e) Governing Law. This Amendment shall be governed by and construed according to the laws of the State of New York.

(f) Merger of Thermogas into the Borrower. The Borrower covenants and agrees with the Banks that Thermogas will be merged with and into the Borrower as promptly as is reasonably practicable and in any event within 30 days following the consummation of the Thermogas Acquisition. Any failure by the Borrower to observe or perform such agreement in a timely manner shall be deemed to be a failure by the Borrower to observe or perform a covenant under the Credit Agreement and thereby constitute an Event of Default under Section 9.01(d) of the Credit Agreement (subject to passage of the applicable grace period referred to in such Section 9.01(d)).

DOCSLA1:325521.4

DOCSLA1:325521.4

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

FERRELLGAS, L.P., a Delaware limited partnership

By: Ferrellgas, Inc. Its: General Partner

By:  
Name:  
Title:

FERRELLGAS, INC.

By:  
Name:  
Title:

ADMINISTRATIVE AGENT

BANK OF AMERICA, N.A., as Administrative Agent

By:  
Name:  
Title:

BANKS

BANK OF AMERICA, N.A.

By:

Name:

Title:

WELLS FARGO BANK, N.A.

By:

Name:

Title:

THE BANK OF NEW YORK

By:

Name:

Title:

THE BANK OF NOVA SCOTIA

By:

Name:

Title:



PARIBAS

By:

Name:

Title:

By:

Name:

Title:

UNION BANK OF CALIFORNIA, N.A.

By:

Name:

Title:

FIRST AMENDMENT  
TO SHORT-TERM REVOLVING CREDIT AGREEMENT

This FIRST AMENDMENT TO SHORT-TERM REVOLVING CREDIT AGREEMENT (this "Amendment"), dated as of December 2, 1999, is entered into by and 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"), each of the financial institutions referred to as Banks in the Existing Credit Agreement referred to below (collectively, the "Banks") and BANK OF AMERICA, N.A. (formerly known as BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION), as agent for the Banks (in such capacity, the "Administrative Agent"), and amends that certain Short-Term Revolving Credit Agreement, dated as of April 30, 1999 (as the same is in effect immediately prior to the effectiveness of this Amendment, the "Existing Credit Agreement" and as the same may be amended, supplemented or modified and in effect from time to time, the "Credit Agreement"), by and among the Borrower, the General Partner, the Administrative Agent and the Banks from time to time party to the Credit Agreement. Capitalized terms used and not otherwise defined in this Amendment shall have the same meanings in this Amendment as set forth in the Credit Agreement, and the rules of interpretation set forth in Section 1.02 of the Credit Agreement shall be applicable to this Amendment.

RECITAL

The Borrower has requested that the Banks amend the Existing Credit Agreement in the respects set forth below in this Amendment, and the Banks are willing to agree to so amend the Existing Credit Agreement on the terms and subject to the conditions set forth below.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing, the mutual covenants and agreements set forth below and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties agree as follows:

SECTION 1. Amendments. On the terms of this Amendment and subject to the satisfaction of the conditions precedent set forth below in Section 3:

(a) Section 1.01 of the Existing Credit Agreement is hereby amended by the addition of the following definitions in such Section 1.01 in appropriate alphabetical order:

"Accounts Receivable Securitization" shall mean a financing arrangement involving the transfer or sale of accounts receivable of the Borrower in the ordinary course of business through one or more SPEs, the terms of which arrangement do not impose (a) any recourse or repurchase obligations upon the Borrower or any Affiliate of the Borrower (other than any such SPE) except to the extent of the breach of a representation or warranty by the Borrower in connection therewith or (b) any negative pledge or Lien on any accounts receivable not actually transferred to any such SPE in connection with such arrangement.

"SPE" shall mean any special purpose Non-Recourse Subsidiary of the Borrower established in connection with Accounts Receivable Securitizations permitted by Section 7.05.

"Thermogas" means Thermogas Company and, upon conversion of Thermogas Company from a Delaware corporation into a Delaware limited liability company, Thermogas LLC (or other named company resulting from such conversion).

"Thermogas Acquisition" means the occurrence of all of the following: (a) the acquisition by the MLP of all of the capital stock or member interests (as applicable) of Thermogas; (b) the contribution by the MLP of such capital stock or member interests to the Borrower; and (c) the assumption by the Borrower of any and all Acquired Debt and Synthetic Lease Obligations obtained in connection with such acquisition.

(b) Section 1.01 of the Existing Credit Agreement is hereby amended by replacing the chart in the definition of "Applicable Margin" in such Section 1.01 with the following:

Pricing Ratio	Base Rate Loans	Eurodollar Rate Loans
Level 1	0.00 b.p.	62.50 b.p.
Level 2	0.00 b.p.	75.00 b.p.
Level 3	0.00 b.p.	100.00 b.p.
Level 4	25.00 b.p.	125.00 b.p.

Level 5	50.00 b.p.	150.00 b.p.
Level 6	75.00 b.p.	175.00 b.p.
Level 7	100.00 b.p.	200.00 b.p.

(c) Section 1.01 of the Existing Credit Agreement is hereby amended by replacing the chart in the definition of "Commitment Fee Rate" in such Section 1.01 with the following:

Pricing Ratio	Commitment Fee Rate
Level 1	17.50 b.p.
Level 2	22.50 b.p.
Level 3	27.50 b.p.
Level 4	32.50 b.p.
Level 5	37.50 b.p.
Level 6	42.50 b.p.
Level 7	50.00 b.p.

(d) Section 1.01 of the Existing Credit Agreement is hereby amended by replacing the definition of "Indebtedness" in such Section 1.01 with the following:

"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 obligations in respect of Accounts Receivable Securitizations; (i) all indebtedness referred to in clauses (a) through (h) 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 (j) all Guaranty Obligations in respect of indebtedness or obligations of others of the kinds referred to in clauses (a) through (i) above; provided, however, that "Indebtedness" shall not include Synthetic Lease Obligations.

(e) Section 1.01 of the Existing Credit Agreement is hereby amended by replacing the definition of "Level" in such Section 1.01 with the following:

"Level" means, at any time, Level 1, Level 2, Level 3, Level 4, Level 5, Level 6 or Level 7 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 LTE PR LT 2.75
Level 3	2.75 LTE PR LT 3.25
Level 4	3.25 LTE PR LT 3.75
Level 5	3.75 LTE PR LT 4.25
Level 6	4.25 LTE PR LT 4.75
Level 7	4.75 LTE PR

The Level of the Pricing Ratio for the period from and after the date on which the Thermogas Acquisition occurs through the last day of the fiscal quarter of the Borrower ending January 31, 2000 shall be equal to Level 7. 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 Certificate 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 7 as of the first day of the fiscal quarter beginning after the fiscal quarter for which such Compliance Certificate was due.

(f) Section 1.01 of the Existing Credit Agreement is hereby amended by replacing the definition of "Majority Banks" in such Section 1.01 with the following:

"Majority Banks" means at any time Banks then holding more than 50% of the then aggregate unpaid principal amount of the Loans, or, if no such principal amount is then outstanding, Banks then having more than 50% of the aggregate Commitments.

(g) Section 5.16 of the Existing Credit Agreement is hereby amended to read in its entirety as follows:

5.16 Subsidiaries and Affiliates. The Borrower (a) has no Subsidiaries or other Affiliates except (i) those specifically disclosed in part (a) of Schedule 5.16 hereto, (ii) one or more SPEs established in connection with Accounts Receivable Securitizations permitted by Section 7.05, (iii) Subsidiaries established in compliance with Section 7.20 and (iv) Thermogas (but only for so long as Thermogas shall be permitted to be operated as a Wholly-Owned Subsidiary of the Borrower as set forth in the proviso to Section 7.20) and (b) has no equity investments in any corporation or entity other than Subsidiaries and Affiliates disclosed in subsection (a) above and those Permitted Investments specifically disclosed in part (b) of Schedule 5.16.

(h) Section 6.12 of the Existing Credit Agreement is hereby amended by replacing the first sentence of subsection (a) of such Section 6.12 with the following:

(a) Leverage Ratio. The Borrower shall maintain as of the last day of each fiscal quarter a Leverage Ratio equal to or less than 4.75 to 1.00 (or, if the Thermogas Acquisition shall have been consummated on or prior to January 31, 2000, the Borrower shall be required to maintain from and after the date of such Thermogas Acquisition a Leverage Ratio equal to or less than (i) 5.25 to 1.00 as of the last day of each fiscal quarter ending on or prior to January 31, 2000, (ii) 5.10 to 1.00 as of the last day of each fiscal quarter ending during the period commencing on February 1, 2000 and ending on January 31, 2001 and (iii) 4.75 to 1.00 as of the last day of each fiscal quarter ending after January 31, 2001).

(i) Section 6.12 of the Existing Credit Agreement is hereby further amended by replacing subsection (b) of such Section 6.12 with the following:

(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 (or, if the Thermogas Acquisition shall have been consummated on or prior to January 31, 2000, the Borrower shall be required to maintain from and after the date of such Thermogas Acquisition an Interest Coverage Ratio of at least 2.25 to 1.00 for each such period of four fiscal quarters ending on or prior to January 31, 2001 and 2.50 to 1.00 each such period of four fiscal quarters ending after January 31, 2001).

(j) Section 7.01 of the Existing Credit Agreement is hereby amended by deleting the words "in the ordinary course of business" in subsection (k) of such Section 7.01.

(k) Section 7.01 of the Existing Credit Agreement is hereby further amended by deleting the word "and" at the end of subsection (o) of such Section 7.01, substituting a semi-colon for the period at the end of subsection (p) thereof; adding the word "and" following such semi-colon, and adding the following subsection (q) to such Section 7.01:

(q) Liens securing Indebtedness of an SPE in connection with an Accounts Receivable Securitization permitted by Section 7.05 (including the filing of any related financing statements naming the Borrower as the debtor thereunder in connection with the sale of accounts receivable by the Borrower to such SPE in connection with any such permitted Accounts Receivable Securitization); provided that the aggregate amount of accounts receivable subject to all such Liens shall at no time exceed 133% of the amount of

Accounts Receivable Securitizations permitted to be outstanding under such Section 7.05..

(l) Section 7.02 of the Existing Credit Agreement is hereby amended by replacing the last sentence of such Section 7.02 with the following:

Notwithstanding the foregoing, Asset Sales shall not be deemed to include (w) sales or transfers of accounts receivable by the Borrower to an SPE and by an SPE to any other Person in connection with any Accounts Receivable Securitization permitted by Section 7.05 (provided that the aggregate amount of such accounts receivable that shall have been transferred to and held by all SPEs at any time shall not exceed 133% of the amount of Accounts Receivable Securitizations permitted to be outstanding under Section 7.05), (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 7.15 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 or any sale-leaseback (including sale-leasebacks involving Synthetic Leases) permitted by Section 7.17.

(m) Section 7.05 of the Existing Credit Agreement is hereby amended by replacing the final proviso of such Section 7.05 with the following:

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, and (z) the aggregate amount of Indebtedness of the Borrower and its Subsidiaries through one or more SPEs in connection with Accounts Receivable Securitizations shall not exceed \$60,000,000 at any one time outstanding.

(n) Section 7.06 of the Existing Credit Agreement is hereby amended by substituting a semi-colon for the period at the end of such Section 7.06, adding the word "and" following such semi-colon, and thereafter adding the following proviso to the end of such Section 7.06:

provided, further, that the foregoing provisions of this Section 7.06 shall not apply to transfers of accounts receivable of the Borrower to an SPE in connection with any Accounts Receivable Securitization permitted by Section 7.05.

(o) Section 7.17 of the Existing Credit Agreement is hereby amended to read in its entirety as follows:

7.17. Limitation on Sale and Leaseback Transactions. 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 6.12(a) and (B) secured a Lien on such Indebtedness pursuant to Section 7.01; (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; or (iii) such sale and leaseback transaction is otherwise permitted by the last sentence of Section 4.17 of the 1996 Indenture as in effect as of the date hereof.

(p) Section 7.20 of the Existing Credit Agreement is hereby amended by substituting a semi-colon for the period at the end of such Section 7.20 and adding the following proviso to the end of such Section 7.20 following such semi-colon:

provided, however, that the Borrower may, without regard to the foregoing provisions of this Section 7.20, (x) establish

and operate SPEs solely in connection with Accounts Receivable Securitizations permitted by Section 7.05 and (y) operate Thermogas as a Wholly-Owned Subsidiary for a period of up to (but not exceeding) 30 days following the consummation of the Thermogas Acquisition pending the merger of Thermogas with and into the Borrower.

(q) Section 8.01 of the Existing Credit Agreement is hereby amended by replacing clause (ii) of subsection (e) of such Section 8.01 with the following:

(ii) fails to perform or observe any other condition or covenant, or any other event (including any termination or similar event in respect of any Accounts Receivable Securitization) 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

SECTION 2. Waiver. The Banks hereby waive any Default or Event of Default arising as a result of any breach of Section 6.12(a) or Section 6.12(b) of the Existing Credit Agreement solely in connection with the pro forma calculation of the Leverage Ratio and the Interest Coverage Ratio as of October 31, 1999 as required by the definitions of "Leverage Ratio" and "Interest Coverage Ratio" in Section 1.01 of the Existing Credit Agreement in connection with the Thermogas Acquisition.

SECTION 3. Conditions to Effectiveness. The amendments set forth in Section 1 of this Amendment and the waiver set forth in Section 2 of this Amendment shall become effective only upon the satisfaction of all of the following conditions precedent (the date of satisfaction of all such conditions being referred to as the "Amendment Effective Date"):

(a) The Administrative Agent shall have received, on behalf of the Banks, this Amendment, duly executed and delivered by the Borrower, the General Partner, the Majority Banks and the Administrative Agent.

(b) All corporate, partnership and other proceedings taken or to be taken in connection with the transactions contemplated by this Amendment, and all documents incidental thereto, shall be reasonably satisfactory in form and substance to the Administrative Agent and its counsel, and the Administrative Agent and such counsel shall have received all such counterpart originals or certified copies of such documents as they may reasonably request.

(c) The Administrative Agent shall have received such other documents, opinions, certificates and evidence as the Administrative Agent and its counsel may reasonably request.

(d) The representations and warranties set forth in this Amendment shall be true and correct as of the Amendment Effective Date.

SECTION 4. Representations and Warranties. In order to induce the Administrative Agent and the Banks to enter into this Amendment and to amend the Existing Credit Agreement in the manner provided in this Amendment, the Borrower and the General Partner represent and warrant to the Administrative Agent and each Bank as of the Amendment Effective Date as follows:

(a) Power and Authority. The Borrower and the General Partner have all requisite corporate or partnership power and authority to enter into this Amendment and to carry out the transactions contemplated by, and perform their respective obligations under, the Existing Credit Agreement as amended by this Amendment (hereafter referred to as the "Amended Credit Agreement").

(b) Authorization of Agreements. The execution and delivery of this Amendment by the Borrower and the General Partner and the performance of the Amended Credit Agreement by the Borrower and the General Partner have been duly authorized by all necessary action, and this Amendment has been duly executed and delivered by the Borrower and the General Partner.

(c) Enforceability. Each of this Amendment and the Amended Credit Agreement constitutes the legal, valid and binding obligation of the Borrower and the General Partner enforceable against the Borrower and the General Partner in accordance with its terms, except as may be limited by bankruptcy, insolvency or other similar laws affecting the enforcement of creditors' rights in general. The enforceability of the obligations of the Borrower and the General Partner hereunder is subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding

in equity or at law).

(d) No Conflict. The execution and delivery by the Borrower and the General Partner of this Amendment and the performance by the Borrower and the General Partner of each of this Amendment and the Amended Credit Agreement do not and will not (i) contravene, in any material respect, any provision of any law, regulation, decree, ruling, judgment or order that is applicable to the Borrower or the General Partner, as the case may be, or their respective properties or other assets, (ii) result in a breach of or constitute a default under the charter, bylaws or other organizational documents of the Borrower or the General Partner, as the case may be, or any material agreement, indenture, lease or instrument binding upon the Borrower or the General Partner or their respective properties or other assets or (iii) result in the creation or imposition of any Liens on their respective properties other than as permitted under the Credit Agreement.

(e) Governmental Consents. No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution, delivery and performance by the Borrower or the General Partner of this Amendment.

(f) Representations and Warranties in the Credit Agreement. The Borrower and the General Partner confirm that as of the Amendment Effective Date the representations and warranties contained in Article VI of the Credit Agreement are (before and after giving effect to this Amendment) true and correct in all material respects (except to the extent any such representation and warranty is expressly stated to have been made as of a specific date, in which case it shall be true and correct as of such specific date) and that no Default has occurred and is continuing.

#### SECTION 5. Miscellaneous.

(a) Reference to and Effect on the Existing Credit Agreement and the other Loan Documents.

(i) Except as specifically amended by this Amendment and the documents executed and delivered in connection herewith, the Existing Credit Agreement and the other Loan Documents shall remain in full force and effect and are hereby ratified and confirmed.

(ii) The execution and delivery of this Amendment and performance of the Amended Credit Agreement shall not, except as expressly provided herein, constitute a waiver of any provision of, or operate as a waiver of any right, power or remedy of the Banks under, the Existing Credit Agreement or any of the other Loan Documents.

(iii) Upon the conditions precedent set forth herein being satisfied, this Amendment shall be construed as one with the Existing Credit Agreement, and the Existing Credit Agreement shall, where the context requires, be read and construed throughout so as to incorporate this Amendment.

(b) Expenses. The Borrower and the General Partner acknowledge that all costs and expenses of the Administrative Agent incurred in connection with this Amendment will be paid in accordance with Section 11.04 of the Existing Credit Agreement.

(c) Headings. Section and subsection headings in this Amendment are included for convenience of reference only and shall not constitute a part of this Amendment for any other purpose or be given any substantive effect.

(d) Counterparts. This Amendment may be executed in one or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument. Transmission by telecopier of an executed counterpart of this Amendment shall be deemed to constitute due and sufficient delivery of such counterpart.

(e) Governing Law. This Amendment shall be governed by and construed according to the laws of the State of New York.

(f) Merger of Thermogas into the Borrower. The Borrower covenants and agrees with the Banks that Thermogas will be merged with and into the Borrower as promptly as is reasonably practicable and in any event within 30 days following the consummation of the Thermogas Acquisition. Any failure by the Borrower to observe or perform such agreement in a timely manner shall be deemed to be a failure by the Borrower to observe or perform a covenant under the Credit Agreement and thereby constitute an Event of Default under Section 8.01(d) of the Credit Agreement (subject to passage of the applicable grace period referred to in such Section 8.01(d)).

[Remainder of page intentionally left blank.]



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

FERRELLGAS, L.P., a Delaware limited partnership

By: Ferrellgas, Inc.  
Its: General Partner

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

FERRELLGAS, INC.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

ADMINISTRATIVE AGENT

BANK OF AMERICA, N.A., as Administrative Agent

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

BANKS  
BANK OF AMERICA, N.A.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

(THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM  
 FERRELLGAS PARTNERS, L.P. AND SUBSIDIARY BALANCE SHEET ON OCTOBER 31, 1999  
 AND THE STATEMENT OF EARNINGS ENDING OCTOBER 31, 1999 AND IS QUALIFIED IN ITS  
 ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS)

0000922358

Ferrellgas Partners, L.P.

1,000

U.S. Dollars

	3-MOS	
	JUL-31-2000	
	AUG-01-1999	
	OCT-31-1999	
	1	
		12,261
		0
		84,563
		0
		52,831
		167,018
		656,374
		(250,924)
		697,281
189,872		
		593,081
		(37,982)
0		
		0
		(60,640)
697,281		
		141,507
		162,739
		85,325
		158,438
		0
		0
		12,581
		(14,222)
		0
		(14,222)
		0
		0
		0
		(14,222)
		(0.45)
		(0.45)

(THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM FERRELLGAS PARTNERS FINANCE, CORP. BALANCE SHEET ON OCTOBER 31, 1999 AND THE STATEMENT OF EARNINGS ENDING OCTOBER 31, 1999 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS)

0001012493  
Ferrellgas Partners Finance Corp.  
1  
U.S. Dollars

	3-MOS JUL-31-2000	AUG-01-1999	OCT-31-1999
1			1,000
	0		
	0		
	0		
	0		
1,000		0	
	0		
	1,000		
0		0	
		1,000	
0			
	0		
	0		
1,000			
		0	
	0		
	0		
	0		
	0		
	0		
	(186)		
	0		
(186)			
	0		
	0		
		0	
		(186)	
	0		
	0		