SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

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

Date of Earliest Event Reported: April 26, 1996

Date of Report: May 6, 1996

Ferrellgas Partners, L.P.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

1-11331	43-1698480
(Commission File Number)	(I.R.S. Employer Identification No.)

One Liberty Plaza, Liberty, Missouri 64068

(Address of principal executive office, including zip code)

(816) 792-1600

(Registrant's telephone number, including area code)

ITEM 2. ACQUISITION OR DISPOSITION OF ASSETS

On April 30, 1996, Ferrellgas, Inc. ("Ferrellgas"), the General Partner of Ferrellgas Partners, L.P. (the "Partnership") and Ferrellgas, L.P. (the "Operating Partnership"), consummated its previously announced purchase of all of the stock of Skelgas Propane, Inc. ("Skelgas"), a subsidiary of Superior Propane, Inc. of Toronto, Canada for a cash purchase price of $89.7 million. Skelgas is the seventh-largest propane supplier in the nation, based on gallons sold, with 92 retail propane outlets across the United States with sales of approximately 97 million gallons a year to residential, industrial/commercial and agricultural customers. Ferrellgas borrowed the funds for such purchase from Bank of America National Trust & Savings Association ("BofA" and the "BofA Acquisition Loan").

As of May 1, 1996, Ferrellgas (i) caused Skelgas and each of its subsidiaries to be merged into Ferrellgas and (ii) transferred all of the assets of Skelgas and its subsidiaries to the Operating Partnership. In exchange, the Operating Partnership assumed substantially all of the liabilities, whether known or unknown, associated with Skelgas and its subsidiaries and their propane business (excluding income tax liabilities). In consideration of the retention by Ferrellgas of the Skelgas income tax liabilities, the Partnership issued 41,203 Common Units to Ferrellgas. The liabilities assumed by the Operating Partnership included the obligations of Ferrellgas under the BofA Acquisition Loan. Immediately following the transfer of assets and related transactions described above, the Operating Partnership repaid the BofA Acquisition Loan with cash and borrowings under the Operating Partnership's existing acquisition bank credit line.

ITEM 5. OTHER EVENTS

On April 26, 1996 the Partnership announced that it issued $160 million of fixed rate 9 3/8% Senior Secured Notes (the "Notes") due 2006 in

a private placement to qualified institutional investors under Rule 144A. Net proceeds of the offering were contributed by the Partnership to the Operating Partnership, and were used primarily to repay outstanding indebtedness under the Operating Partnership's acquisition bank credit lines and to repay the BofA Acquisition Loan assumed in the transfer of Skelgas and its subsidiaries to the Operating Partnership as described in Item 2.

In connection with the issuance of the Notes, the issuers of the Notes entered into a Registration Rights Agreement pursuant to which the Partnership is obligated to file a registration statement with the Securities and Exchange Commission with respect to the exchange of the Notes for a series of registered notes with terms substantially identical to the terms of the Notes.

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS.

(a) Financial statements of businesses acquired.

The consolidated financial statements of Skelgas Propane, Inc. as of December 31, 1995 and 1994 and for the fiscal year ended December 31, 1995 (audited), together with the report of Deloitte & Touche with respect thereto, are filed as Exhibit 99.3 to this Current Report.

It is impracticable to provide the historical financial statements for the interim periods required by this Item within the time this Current Report on Form 8-K is required to be filed. Such historical financial statements will be filed as soon as practicable, but not more than 60 days after this Current Report on Form 8-K is required to be filed.

(b) Pro forma financial information.

It is impracticable to provide the pro forma financial statements required by this Item within the time this Current Report on Form 8-K is required to be filed. Such pro forma financial statements will be filed as soon as practicable, but not more than 60 days after this Current Report on Form 8-K is required to be filed.

(c) Exhibits.

The Exhibits listed in the Index to Exhibits are filed as part of this Current Report on Form 8-K.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

FERRELLGAS PARTNERS, L.P.

By: FERRELLGAS, INC. (General Partner)

By: /s/ Danley K. Sheldon

Danley K. Sheldon
Senior Vice President and Chief
Financial Officer
(Principal Financial and
Accounting Officer)

Date: May 6, 1996

EXHIBIT INDEX

Exhibit No.	Description of Exhibit
2	Agreement for Purchase and Sale of Stock, dated March 23, 1996 between Superior Propane, Inc. and Ferrellgas, Inc.
3	First Amendment to Agreement of Limited Partnership of Ferrellgas, L.P. dated as of April 23, 1996
4.1	Indenture dated as of April 26, 1996 among Ferrellgas Partners, L.P., Ferrellgas Partners Finance Corp., Ferrellgas, L.P., as guarantor, and American Bank National Association, as trustee, relating to $160,000,000 9 3/8% Senior Secured Notes due 2006.
4.2	Registration Rights Agreement dated as of April, 26, 1996 among Ferrellgas Partners, L.P., Ferrellgas Partners Finance Corp., Ferrellgas, L.P., Donaldson, Lufkin & Jenrette Securities Corporation and Goldman, Sachs & Co.
10.1	Purchase Agreement dated as of April 23, 1996 between Ferrellgas Partners, L.P., Ferrellgas Partners Finance Corp., Ferrellgas, Inc., Ferrellgas, L.P., Donaldson, Lufkin & Jenrette Securities Corporation and Goldman, Sachs & Co.
10.2	Pledge and Security Agreement dated as of April 26, 1996 among Ferrellgas Partners, L.P., Ferrellgas, Inc., and American Bank National Association, as collateral agent.
99.1	Text of press release issued by Ferrellgas Partners, L.P. on May 1, 1996
99.2	Text of press release issued by Ferrellgas Partners, L.P. on April 26, 1996
99.3	Consolidated financial statements of Skelgas Propane, Inc. as of December 31, 1995 and 1994 and for the fiscal year ended December 31, 1995 (audited), together with the report of Deloitte & Touche with respect thereto.

CONFORMED EXECUTION COPY

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AGREEMENT
FOR
PURCHASE AND SALE OF STOCK

BETWEEN

SUPERIOR PROPANE INC.

and

FERRELLGAS, INC.

MARCH 23, 1996

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AGREEMENT
FOR
PURCHASE AND SALE OF STOCK

THIS AGREEMENT is made and entered into this _____ day of March, 1996, by and between Superior Propane Inc., a federally incorporated company of Canada ("Seller"), and Ferrellgas, Inc., a Delaware corporation ("Buyer").

WHEREAS, Seller is the record and beneficial owner of all of the issued and outstanding capital stock of Skelgas Propane, Inc., a Delaware corporation (the "Company"), consisting of 155,000 shares of common stock, U.S. $1,000 par value per share (the "Stock");

WHEREAS, the Company is the record and beneficial owner of all outstanding capital stock of the corporations listed on Schedule 3.5 attached hereto (the "Subsidiaries");

WHEREAS, the Company, through its Subsidiaries, is engaged in the business of selling propane to the residential, commercial, industrial, agricultural and auto propane markets in Illinois, Indiana, Iowa, Kansas, Kentucky, Michigan, Minnesota, Missouri, New York, North Dakota, Ohio, Nebraska and Wisconsin (the "Business"); and

WHEREAS, Buyer desires to purchase and Seller desires to sell all, but not less than all, of the Stock, upon the terms and conditions set forth herein;

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

ARTICLE I

THE TRANSACTION

1.1. Purchase and Sale of Stock. At the Closing (as hereinafter defined), Seller shall sell, transfer, assign and deliver to Buyer, and Buyer shall purchase, accept, assume and receive, all right, title and interest in and to the Stock, free and clear of any Liens. As used in this Agreement, the term "Lien" shall mean any mortgage, pledge, deed of trust, hypothecation, claim, security interest, title defect, encumbrance, burden, tax lien (as used in Section 6321 of the Code (as hereinafter defined) or as similarly used by any state, local or foreign tax authority) charge or other similar restriction, claim, title retention agreement, option, easement, covenant, encroachment or other adverse claim.

1.2. Purchase Price. The aggregate purchase price for the Stock shall be U.S. $84,000,000 (the "Purchase Price"), as finally adjusted pursuant to Section 2.2 for the difference between U.S. $16,000,000 and the Company's Net Working Capital (as defined on Schedule 1.2) as of the Closing Date (as hereinafter defined), all as calculated in accordance with U.S. generally accepted accounting principles and in accordance with the Company's historical accounting methods, consistently applied, subject, to the adjustments and assumptions set forth on Schedule 1.2 attached hereto (the "Accounting Principles"). The Net Working Capital, excluding cash, is herein referred to as "Non-Cash Net Working Capital". The Purchase Price shall be adjusted to reflect the difference between the amount of cash included in Net Working Capital as of the Closing Date and U.S. $4,000,000, and to reflect the difference between the aggregate of the Non-Cash Net Working Capital and U.S. $12,000,000. The Purchase Price shall be subject to a post-closing confirmation pursuant to Section 2.2.

1.3. Payment of the Closing Estimated Purchase Price. Not later than two (2) business days prior to the Closing Date, Seller shall prepare and deliver to Buyer a statement setting forth a good faith estimate of the Net Working Capital as of the Closing Date (the "Estimated Net Working Capital") prepared in accordance with the Accounting Principles. The "Estimated Purchase Price" shall mean an amount equal to (i) if the Estimated Net Working Capital is greater than or equal to $16,000,000, then the Purchase Price plus the excess of the Estimated Net Working Capital over $16,000,000, and (ii) if the Estimated Net Working Capital is less than $16,000,000, then the Purchase Price less the excess of $16,000,000 over the Estimated Net Working Capital. At Closing, Buyer shall deliver and Seller shall accept the Estimated Purchase Price in immediately available funds.

1.4. Excluded Assets. Notwithstanding anything to the contrary contained herein, the following assets (the "Excluded Assets") shall not be sold or transferred to Buyer, and ownership of the Excluded Assets shall be transferred from the Company or its Subsidiaries to Seller prior to Closing:

(a) All right, title and interest in and to the trademark and name ETI Energy Transportation Inc., subject to the grant by Seller of a transitional license to use the mark for a period of time ending on or prior to May 1, 1997 to change over the livery of trucks, etc.;

(b) Refunds pertaining to tax obligations of Seller, the Company or any Subsidiary, which refund amounts are in excess of those respective amounts stated in Net Working Capital;

(c) Refunds pertaining to insurance premium adjustments, including those related to general liability and automotive liability, and property insurance coverage of Seller, the Company or any Subsidiary;

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(d) Refunds or reimbursements pertaining to environmental matters and refunds pertaining to insurance premium adjustments related to workers compensation, which refund amounts are in excess of those respective amounts stated in Net Working Capital;

(e) Any and all other refunds related to the operation and conduct of the Business prior to the Closing Date which amounts are not included in the calculation of Net Working Capital;

(f) Computer hardware and software and related rights relating to Seller's Enterprise 2000 computer system; and

(g) Furnishings, equipment and materials (excluding stationery and records) located at the Company's corporate office in Oakbrook, Illinois and the warehouse in Westmont, Illinois.

In addition, Seller shall pay, settle and discharge the obligations and claims listed on Schedule 1.4 (the "Excluded Claims"), and shall be entitled to all reserves related thereto, all of which shall be transferred to Seller prior to Closing. Excluded Assets and Excluded Claims shall not be taken into account in any computation of Net Working Capital.

ARTICLE II

THE CLOSING AND TRANSFER OF STOCK

2.1. Closing. The transfer of Stock contemplated by this Agreement (the "Closing") shall occur at the offices of McDermott, Will & Emery, 227 W. Monroe Street, Chicago, Illinois 60606 no later than the third business day after the conditions to Closing (other than those which by their nature are to be fulfilled at the Closing) are fulfilled or waived, or at such other place or time as may be mutually agreed upon by the parties (the "Closing Date"). Upon consummation, the Closing shall be deemed to have taken place as of the close of business on the Closing Date.

2.2. Closing Statement of Net Working Capital; Settlement.

(a) Immediately following the Closing, Seller, at its expense, shall prepare a Statement of Net Working Capital for the Company as of the Closing Date (the "Closing Statement of Net Working Capital") in accordance with the Accounting Principles and shall deliver it to Buyer within forty-five (45) days after the Closing Date (the "Delivery Date"). Seller shall provide Buyer with copies of any and all work papers used in the preparation of the Closing Statement of Net Working Capital and shall permit Buyer and its representatives to observe the procedures as they are

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carried out. Buyer shall render all reasonable assistance in connection with the preparation of the Closing Statement of Net Working Capital. The Closing Statement of Net Working Capital shall become final and binding upon Buyer on the 15th day following the Delivery Date, unless Buyer gives notice of its disagreement with reasonable detail as to the nature of such disagreement ("Notice of Disagreement") to Seller on or prior to such date. Upon receipt of the Notice of Disagreement, the parties shall each use their best efforts to reach agreement within the following thirty (30) days, and, if the parties are unable to reach agreement after such thirty (30) days, they shall submit the disputed matter to the Chicago office of Ernst & Young (the "Accounting Firm") for arbitration within ten (10) days thereafter and being bound by the results thereof in all respects for matters comprising Net Working Capital. The parties agree to share equally in the cost of such arbitration. If Buyer delivers to Seller a timely Notice of Disagreement, then the Closing Statement of Net Working Capital (as revised in accordance with the procedures set forth below) shall become final and binding upon Seller and Buyer on the earlier of (x) the date the parties hereto resolve in writing any differences they have with respect to any matters specified in the Notice of Disagreement or (y) the date any matters properly in dispute are finally resolved in writing by the Accounting Firm. The Closing Statement of Net Working Capital, as delivered on the Delivery Date or, if a Notice of Disagreement is delivered, as ultimately resolved pursuant to clause (x) or (y) of the preceding sentence, shall be referred to as the "Final Closing Statement of Net Working Capital" and the date upon which it becomes final and binding shall be the "Final Settlement Date." Within three (3) days after the Final Settlement Date (the "Payment Date"), (i) if the Final Closing Statement of Net Working Capital is greater than the Estimated Net Working Capital, then Buyer shall pay to Seller in cash the difference thereof, and (ii) if the Final Closing Statement of Net Working Capital is less than the Estimated Net Working Capital, then Seller shall pay to Buyer in cash the difference thereof (the "Net Working Capital Adjustment"). The Net Working Capital Adjustment shall be an adjustment to the Purchase Price.

(b) In the event that the Net Working Capital Adjustment is not paid on the Payment Date the amount owed pursuant to this Section 2.2 shall bear interest at a rate equal to the prime rate as set forth from time to time in The Wall Street Journal, Midwest edition, from the date due through the date of actual payment.

(c) The Final Closing Statement of Net Working Capital shall be final and binding upon both parties and not subject to further adjustment, arbitration or judicial review and shall be the final determination of liabilities or obligations, including indemnification under this Agreement, with respect to the constituent elements included in Net Working Capital.

2.3. Deliveries by Buyer. At the Closing, Buyer shall deliver the following:

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(a) A good funds transfer for credit to Seller's account in the amount equal to the Estimated Purchase Price;

(b) Opinion of counsel to Buyer in form and substance reasonably acceptable to Seller;

(c) A Certificate of the Secretary of Buyer as to the resolutions authorizing the transactions contemplated hereby and a Certificate of an executive officer of Buyer reaffirming, and updating as necessary, Buyer's representations and warranties contained in Article IV;

(d) An agreement containing, without limitation, terms and conditions relating to the provision of transitional, accounting, administration, information, management and related services at a price equal to 125% of the base salary of the Seller's employees plus reasonable out-of-pocket expenses payable semi-monthly; provided, that if the transition to Buyer has not occurred prior to June 30, 1996, the Buyer shall pay the Seller an additional U.S. $50,000; and

(e) Such other instruments or documents as may be necessary or appropriate to carry out the transactions contemplated hereby.

2.4. Deliveries by Seller. At the Closing, except as to item (k) which Seller shall deliver to Buyer not less than five (5) business days before Closing, Seller shall deliver the following:

(a) Certificates, with fully executed stock powers, evidencing the Stock and any other documentation necessary to effect the transfer of ownership thereof to Buyer;

(b) Certificate of the Secretary of the Company delivering the minute books, stock records and By-laws of the Company and each of the Subsidiaries, including certificates evidencing the outstanding capital stock of each of the Subsidiaries;

(c) Articles of Incorporation of the Company and each of the Subsidiaries certified as of a recent date by the Secretary of State of such state in which such entity is incorporated;

(d) Certificate of Good Standing of the Company and each of the Subsidiaries certified as of a recent date by the Secretary of State of such state in which such entity is incorporated;

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(e) Resignations from all of the Company's and each of the Subsidiaries directors and officers requested by Buyer in writing prior to the Closing Date;

(f) Opinion of counsel to Seller in form and substance reasonably acceptable to Buyer;

(g) An Affidavit certifying that the Stock does not constitute a "U.S. real property interest" within the meaning of Section 897 of the Code;

(h) A Certificate of an executive officer of Seller reaffirming, and updating as necessary, Seller's representations and warranties contained in Article III;

(i) The guaranty of Seller's ultimate parent entity, Norcen Energy Resources Limited, a corporation organized pursuant to the laws of Canada ("NER"), substantially in the form of Exhibit 2.4(i) attached hereto, which guaranty will provide for NER's guaranty of Seller's obligations under Article 9 of this Agreement; provided, however, that this guaranty shall be a standby guaranty, unless Seller fails to maintain book equity in excess of $100,000,000 Canadian and, if provided, shall terminate and be of no further force or effect on the date two years after the date hereof;

(j) A Certification by the Seller's Chief Financial Officer that the Seller's book equity exceeds $100,000,000 Canadian as of the calendar month preceding the Closing;

(k) The audited consolidated balance sheet of the Company and the Subsidiaries as at December 31, 1995 and 1994 and the statement of income for the fiscal year ended December 31, 1995 if the Company's total assets at December 31, 1995 are less than U.S. $100,000,000 (or the Company's audited consolidated balance sheet as at December 31, 1993, December 31, 1994 and December 31 1995 and its statements of net income for the fiscal years ended December 31, 1995 and December 31, 1994 if the Company's total assets at December 31, 1995 are equal to or greater than U.S. $100,000,000) each as prepared by the Seller in accordance with U.S. generally accepting accounting principles and in accordance with the Company's historical accounting methods, consistently applied ("GAAP") and audited by Deloitte & Touche. Buyer shall pay up to U.S. $50,000 of the cost of auditing such statements. Upon delivery of such audited financial statements to Buyer, Seller shall be deemed to represent and warrant to Buyer pursuant to Section 3.6 that such balance sheets and the notes thereto fairly present in all material respects the financial position of the Company and its Subsidiaries as of the date thereof, and such statements

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of income and the notes thereto fairly present in all material respects the results of operations for the period therein referred to, all in accordance with GAAP. Such audited consolidated balance sheets shall not be materially different from the balance sheet as of December 31, 1995 set forth in Schedule 3.6;

(l) A Trademark License to use the name ETI Energy Transportation in substantially the form attached hereto as Exhibit 2.4(l); and

(m) Such other endorsements, instruments or documents as may be necessary or appropriate to carry out the transactions contemplated hereby.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF SELLER

Seller hereby represents and warrants to Buyer, as of the date hereof, and as of the Closing Date (except where otherwise specifically provided), as set forth below.

3.1. Authority. Seller has full right, power and authority and has taken all corporate action, including obtaining the approval of its Board of Directors, necessary to execute and deliver this Agreement and to carry out the transactions contemplated hereby. This Agreement has been duly authorized, executed and delivered by Seller and constitutes a valid and legally binding obligation of Seller, enforceable against Seller in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles.

3.2. No Conflict. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby will not result in the creation of any Lien or the termination or acceleration of any indebtedness or other obligation of the Business or the Company or any Subsidiary and are not prohibited by, do not violate or conflict with any provision of, and do not constitute a default under or a breach of (a) the Articles of Incorporation or By-laws of the Company, any Subsidiary or Seller, (b) any Material Contract (as hereinafter defined), (c) any order, writ, injunction, decree or judgment of any court or governmental agency, or (d) any law, rule or regulation applicable to Seller, the Company or any Subsidiary. No approval, authorization, registration, consent, notice, order or other action of or filing with any person, including any court, administrative agency or other governmental or regulatory authority ("Governmental Entity"), is required for the execution and delivery by Seller of this Agreement or the consummation of the transactions contemplated hereby, other than the expiration of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act, as amended (the "HSR Act").

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3.3. Organization. Seller is a corporation validly existing and in good standing under the laws of Canada. The Company is a corporation duly organized, validly existing and in good standing under the laws of the state of Delaware and has full power and authority and all requisite rights, licenses, permits and franchises to own, lease and operate its assets and to carry on the business in which it is engaged. Each of the Subsidiaries is a corporation duly organized, validly existing and in good standing under the laws of its state of incorporation. Each of the Company and the Subsidiaries is duly licensed, registered and qualified to do business as a foreign corporation and is in good standing in all jurisdictions in which the ownership, leasing or operation of its assets or the conduct of its business requires such qualification, except where the failure to be so licensed, registered or qualified would not have a material adverse effect upon the Business or its assets. Schedule 3.3 sets forth each state or other jurisdiction in which the Company and each Subsidiary is licensed or qualified to do business.

3.4. Capitalization of the Company. The Company's equity capital consists of 100,000 authorized shares of preferred stock, U.S. $1 par value, of which no shares are issued and of 200,000 authorized shares of common stock, U.S. $1,000 par value, of which 155,000 shares are issued, outstanding and owned beneficially and of record by Seller free and clear of any Liens. All outstanding shares of Stock are duly authorized, validly issued, fully paid and nonassessable, and were not issued in violation of any preemptive subscription or other right of any person to acquire securities. There is no outstanding subscription, option, convertible or exchangeable security, preemptive right, warrant, call or agreement (other than this Agreement) relating to the Stock or other obligation or commitment to issue any shares of Stock. There are no voting trusts or other agreements, arrangements or understandings applicable to the exercise of voting or any other rights with respect to any Stock. Seller has good title to all of the Stock and the absolute right to sell, assign, transfer and deliver the same to Buyer, free and clear of all Liens and the transfer and delivery of the Stock by Seller to Buyer as contemplated by this Agreement will transfer good and marketable title to the Stock to Buyer.

3.5. Capitalization of the Subsidiaries. The equity capital stock of each Subsidiary is as set forth in Schedule 3.5. All of the issued and outstanding shares of capital stock of each Subsidiary are owned beneficially and of record by the Company free and clear of any Liens and have been duly authorized, validly issued, are fully paid and non-assessable, and have not been issued in violation of any preemptive rights of stockholders. No options, warrants or other rights to acquire, sell or issue shares of capital stock of any of the Subsidiaries, whether upon conversion of other securities or otherwise, are outstanding. Except for the Company's ownership of the capital stock of the Subsidiaries, neither the Company nor any Subsidiary, either directly or indirectly, owns an equity interest in any other corporation, partnership or other entity.

3.6. Financial Statements. Schedule 3.6 contains the unaudited consolidated balance sheets of the Company and its Subsidiaries for each of the years ended December 31, 1995,

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1994 and 1993, and the statements of income for the fiscal years ended December 31, 1995 and 1994. All such balance sheets and the notes thereto fairly present in all material respects the financial position of the Company and its Subsidiaries as of the respective dates thereof and such statements of income and the notes thereto fairly present in all material respects the results of operation for the periods therein referred to, all in accordance with GAAP. Upon delivery to Buyer of the audited financial statements referred to in Section 2.4, this representation and warranty with regard to the income statement for the year ended December 31, 1995 included in Schedule 3.6, and the balance sheets dated December 31, 1995 and December 31, 1994 included in Schedule 3.6, shall have no further effect and the representations and warranties set forth in this Section 3.6 shall apply to, and be deemed to be made by Seller with regard to, such audited financial statements.

3.7. Subsequent Events. Since December 31, 1995, the Business has been operated only in the ordinary course of business and there has not been any (i) material adverse change in the assets, liabilities, financial condition, earnings, properties, business, customer base or results of operations, (ii) damage, destruction or condemnation with respect to any material asset or property owned, leased or otherwise used by the Company or any Subsidiary, whether or not covered by insurance, (iii) declaration, setting aside or payment of any dividend whether in cash, stock or property with respect to the Stock or any redemption or other acquisition of Stock by the Company, (iv) change by the Company in accounting methods, practices or principles and (v) other material transaction entered into by the Company or any Subsidiary. Without limiting the foregoing, except as set forth on Schedule 3.7 and in each case, except in the ordinary course of business, since December 31, 1995 to the date hereof, neither the Company nor any Subsidiary has:

(a) sold, leased, transferred or otherwise disposed of any tangible assets or property related to the Business or canceled, compromised, released or assigned any debt or claim relating to the Business, in each case, in an amount individually in excess of $100,000;

(b) subjected any of the assets of the Company to any Lien;

(c) made (or committed to make) capital expenditures in an aggregate amount in excess of U.S. $200,000 in any month;

(d) instituted, settled or agreed to settle any litigation, action or proceeding before any Governmental Entity, except for settlement of workers' compensation and similar claims or other claims for personal injury, in each case not in excess of U.S. $50,000;

(e) assumed, guaranteed, endorsed or otherwise become responsible for the obligations of any person or other entity;

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(f) granted any increase in compensation or fringe benefits;

(g) agreed, undertaken, or committed to carryout any investigation, assessment, remediation or response action regarding the presence or possible presence of Hazardous Materials;

(h) except for Material Contracts listed on Schedule 3.19, entered into any material agreement, contract, license, lease, arrangement or commitment; or

(i) authorized or entered into any binding commitment (whether written or oral) to take any of the types of action described in the foregoing paragraphs (a) through (h).

3.8. Absence of Undisclosed Liabilities. Except (i) as reflected elsewhere in this Agreement, (ii) as shown in Schedule 3.8, (iii) as reflected in the balance sheets, (iv) for liabilities which would form the basis for an Insurable Claim or (v) for liabilities and obligations incurred in the ordinary course of business consistent with past practices, neither the Company nor any Subsidiary has any liabilities or obligations of any nature, whether absolute, accrued, contingent or otherwise, which individually would subject the Company or a Subsidiary to a liability in excess of $2,500.

3.9. Banking Relationships. Schedule 3.9 sets forth a correct and complete list of all banks and financial institutions in which the Company or any Subsidiary has an account, deposit, safe-deposit box, lock box or line of credit or other loan facility, and the names of all persons authorized to draw on those accounts or deposits, or to borrow under such lines of credit or other loan facilities, or to obtain access to such boxes.

3.10. Insurance. Schedule 3.10 sets forth a correct and complete list (including the name of the insurer, coverage, self-retention and expiration date) of all binders and policies of fire, liability, product liability, workers' compensation, vehicular and other insurance purchased from outside parties and held by Seller, the Company or any Subsidiary on behalf of the Company or any Subsidiary in effect as of the date hereof. All policies and binders listed on Schedule 3.10 are valid and binding in accordance with their terms, and are in full force and effect as of the date hereof (it being understood that the Company and the Subsidiaries will cease to participate in or be covered by the Seller's insurance for events and occurrences which take place after the Closing). Except for claims set forth on Schedule 3.10, there are, as of the date hereof, no outstanding unpaid claims under any such policy or binder, and, except as set forth on Schedule 3.10, neither Seller, the Company nor any Subsidiary has received any notice of cancellation or non-renewal of any such policy or binder. Except as set forth on Schedule 3.10, neither Seller, the Company, nor any Subsidiary has satisfied any legal requirement to maintain financial assurance pursuant to any Environmental Law through self insurance or insurance purchased directly or indirectly from any affiliate. Except for workers' compensation payments made by insurance carriers, the

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Company, its Subsidiaries and its insurance companies have not, in the aggregate, paid any losses relating to Insurable Claims aggregating more than U.S. $1,000,000 per year in either of the last two years.

3.11. Assets. Except as set forth on Schedule 3.11, the Company and each Subsidiary has good title to all of its properties or has possession of all leased properties necessary for operation of the Business as presently conducted pursuant to valid and binding leases, and with respect to vehicles, certificated title, including all of the assets reflected on the December 31, 1995 balance sheet (but excluding any Real Estate, as to which Section 3.12 applies), free and clear of any Lien, except for properties disposed of, or subject to purchase or sales orders, in the ordinary course of business since December 31, 1995; and Liens securing taxes, assessments, governmental charges or levies, or the claims of materialmen, carriers, landlords and like persons, all of which are not yet due and payable or being contested in good faith, so long as such contest does not involve any substantial danger of the sale, forfeiture or loss of any assets of the Company and the Subsidiaries necessary for the operation of the Business as presently conducted.

3.12. Real Estate.

(a) Schedule 3.12 sets forth a correct and complete list of each parcel of real property owned by the Company or a Subsidiary (the "Real Estate"). The Company or such Subsidiary is the legal and equitable owner of all right, title and interest in, has good and marketable title to, and is in possession of, the Real Estate, free and clear of all tenancies except as set forth on Schedule 3.12 or other possessory interests, security interests, conditional sale or other title retention agreements, Liens, encumbrances, mortgages, pledges, assessments, easements, rights of way, covenants, restrictions, options, rights of first refusal, defects in title, encroachments and other burdens, except those that will not prohibit the use of the Real Estate immediately after the Closing in substantially the same manner as such Real Estate is currently used.

(b) Except as set forth on Schedule 3.12, since January 1, 1996, no portion of any Real Estate has been condemned, requisitioned or otherwise taken by any public authority, and, to Seller's Knowledge, no such condemnation, requisition or taking is threatened or contemplated.

(c) As of Closing, Seller has delivered to Buyer correct and complete copies of all title insurance policies, abstracts, title reports, and existing surveys, environmental audits and similar reports, if any, with respect to each parcel of Real Estate.

(d) Schedule 3.12 sets forth a correct and complete list of each parcel of real property leased by the Company or a Subsidiary other than the Westmont and Oakbrook, Illinois properties (the "Real Estate Leases"). The Company or a Subsidiary has been in peaceable possession of the premises covered by each Real Estate Lease since the commencement of the

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original term of such Lease. Neither the Company nor any Subsidiary is in default under any Real Estate Lease to which it is a party, where such default would prohibit the use of such property immediately after the Closing in substantially the same manner as such property is currently used. As of Closing, Seller has provided to Buyer correct and complete copies of each Real Estate Lease.

3.13. Personal Property Leases. To the Seller's knowledge, Schedule 3.13 sets forth a correct and complete list of all leases of personal property used in the Business other than pressure and dispenser vessels and other than personal property located at the Westmont and Oakbrook properties (the "Personal Property Leases"). The Company or a Subsidiary is in peaceable possession of the property covered by each Personal Property Lease. Neither the Company nor any Subsidiary is in default under any Personal Property Lease to which it is a party, where such default would prohibit the use of such property immediately after the Closing in substantially the same manner as such property is currently used.

3.14. Intellectual Property. Schedule 3.14 sets forth a correct and complete list of all material patents, registered trademarks, registered trade names, registered servicemarks and registered copyrights owned by the Company or a Subsidiary and applications for any of the foregoing (the "Intellectual Property"). Schedule 3.14 sets forth a correct and complete list of all licenses and other agreements relating to any Intellectual Property other than licenses related to Excluded Assets. Except as set forth in Schedule 3.14, with respect to the Intellectual Property, (a) no action, suit, proceeding or investigation is pending or, to Seller's Knowledge, threatened; (b) to Seller's Knowledge, none of the Intellectual Property interferes with, infringes upon, conflicts with or otherwise violates the rights of others or is being interfered with or infringed upon by others, and none is subject to any outstanding order, decree, judgment, stipulation or charge; and (c) there are no royalties, commissions or similar arrangements, and no licenses, sublicenses or agreements, pertaining to any of the Intellectual Property.

3.15. Employees. Schedule 3.15 sets forth a correct and complete list of all written agreements with employees of the Company or any Subsidiary regarding services to be rendered, terms and conditions of employment, and compensation (the "Employment Contracts") as of the date hereof. Except for employees who are listed on Schedule 1.4, Schedule 3.15 sets forth a correct and complete list of all employees of the Company, including name, title or position, the present annual compensation (including bonuses, commissions and deferred compensation), years of service and any interests in any incentive compensation plan. Except as set forth on Schedule 3.15, there are no controversies pending or, to Seller's Knowledge, threatened involving any employees.

3.16. Labor Matters. Neither the Company nor any Subsidiary has a collective bargaining, union or labor agreement or other arrangement with any group of employees, labor union or employee representative(s). The Company and each Subsidiary is in compliance with all federal, state or other applicable laws respecting employment and

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employment practices, terms and conditions of employment, including, without limitation, health and safety, and wages and hours, except where such noncompliance would not prohibit the Company or any Subsidiary from carrying on its business as presently conducted or subject the Company or any Subsidiary to the payment of any fine, penalties or damages in excess of $2,500. No unfair labor practice complaint is pending against the Company or any Subsidiary before the National Labor Relations Board or any similar agency. There is no labor strike, slow down or work stoppage pending or, to Seller's Knowledge, threatened against the Company or any Subsidiary.

3.17. Employee Benefit Plans.

(a) Schedule 3.17 sets forth a correct and complete list of each: "employee welfare benefit plan" (as defined in Section 3(2) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), "employee pension benefit plan" (as defined in Section 3(2) of ERISA) ("Pension Plans"); bonus, profit sharing, deferred compensation, incentive or other compensation plan or arrangement; and other employee fringe benefit plans; whether funded or unfunded, qualified or unqualified (all the foregoing being herein called "Benefit Plans"), maintained or contributed to by the Company or a Subsidiary for the benefit of any of its officers, employees or other persons. Without limiting the foregoing, Schedule 3.17 specifically discloses any obligation of the Company or any Subsidiary to provide post-retirement health benefits to current or former employees of the Company or any Subsidiary.

(b) Except as set forth in Schedule 3.17, each Benefit Plan and any related trust agreement or annuity contract or any other funding instrument complies with the provisions of applicable law, including ERISA and the Internal Revenue Code of 1986, as amended (the "Code"), and all necessary governmental approvals for the Benefit Plans have been obtained. There are no actions, suits, or claims (other than routine claims for benefits) pending or, to Seller's Knowledge, threatened, against or with respect to any Benefit Plan or the assets of any such Benefit Plan, and no facts exist that could give rise to any actions, suits, or claims (other than routine claims for benefits) against such Benefit Plans or assets. Each Pension Plan is qualified in form and operation under Section 401(a) of the Code, the Internal Revenue Service has issued a favorable determination letter with respect to each Pension Plan, and no event has occurred that will or could give rise to a disqualification under Section 401(a) of the Code. No Pension Plan is subject to the provisions of Title IV of ERISA.

(c) Except as set forth in Schedule 3.17, within five days after the execution of this Agreement Seller shall furnish to Buyer correct and complete copies of (i) the plan documents and summary plan description (including any summaries of material modifications), (ii) the most recent determination letter received from the Internal Revenue Service, (iii) the two most recent Form 5500 Series Annual Reports required to be filed for each such Benefit Plan, (iv) all related trust agreements, insurance

contracts or other funding agreements which implement such Benefit Plan, and (v) all service agreements that affect such Benefit Plan.

3.18. Licenses and Permits. Schedule 3.18 contains a correct and complete list of each license, permit, certificate, approval, exemption, franchise, registration or authorization issued to the Company or a Subsidiary where the failure to have such license or permit would prohibit the Company or any Subsidiary from carrying on the Business as presently conducted (collectively, the "Licenses and Permits"). The Licenses and Permits are valid and in full force and effect and there are not pending nor, to Seller's Knowledge, threatened, any proceedings which could result in the termination, revocation, limitation or impairment of any License or Permit.

3.19. Material Contracts. Schedule 3.19 sets forth a correct and complete list of all instruments, commitments, agreements, arrangements and understandings in effect as of the date hereof related to the Business to which the Company or a Subsidiary is a party or bound, or by which any of its assets are subject or bound and meeting any of the descriptions set forth below (the "Material Contracts"):

(a) Personal Property Leases, licenses of Intellectual Property, Employment Contracts, Benefit Plans and Licenses and Permits; and

(b) Any other contract, commitment, agreement, arrangement or understanding related to the Business which (i) provides for payment or performance by either party thereto having an aggregate annual payment or performance obligation of U.S. $300,000 or more, (ii) is not terminable without payment or penalty on ninety (90) days (or less) notice, or (iii) is with any affiliate of the Company or any officers and directors of the Company.

On or before the Closing Date, correct and complete copies of each Material Contract identified on Schedule 3.19 shall be delivered to Buyer; provided, however, that the Seller shall not be required to disclose information with respect to any individual customer, reseller or other agent or provide any customer lists to the Buyer. To Seller's Knowledge, each Material Contract is in full force and effect and is valid, binding and enforceable in accordance with its terms. No event has occurred which is or, after the giving of notice or passage of time, or both, would constitute a default under or a breach of any Material Contract by the Company or any Subsidiary, or, to Seller's Knowledge, by any other party. There is no Lien on the Company's or any Subsidiary's interest under any Material Contract.

3.20. Taxes. No representation or warranty set forth in this Section 3.20 shall, with respect to any affiliated, combined, consolidated or unitary group of which the Company was once a member, relate to any taxable periods of such group after the Company ceased to be a member.

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(a) Each of the Company and the Subsidiaries and any affiliated, combined, consolidated or unitary group of which it is or was a member has paid all federal and state taxes (including, but not limited to, income, profits, premium, estimated, excise, sales, use, occupancy, gross receipts, franchise, ad valorem, severance, capital, production, transfer, withholding, employment, unemployment compensation, payroll and property taxes) and other governmental charges and assessments, including any deficiencies, interest, additions to tax or interest and penalties with respect thereto (hereinafter "Taxes" or, individually, a "Tax") required to be paid by it through the date hereof, and shall timely pay any Taxes required to be paid by it on or prior to the Closing Date for periods ending on or before the Closing Date. The provisions for Taxes (as opposed to any reserve for deferred taxes established to reflect timing differences between book and tax income), including federal and state income taxes (x) on the December 31, 1995 balance sheet and (y) taken into account for purposes of calculating Net Working Capital, are sufficient for the payment of all Taxes due with respect to the conduct of the business of the Company and the Subsidiaries up to and through December 31, 1995 and the Closing Date, respectively.

(b) Each of the Company, the Subsidiaries and any affiliated, combined, consolidated or unitary group of which it is or was a member has timely filed all tax returns required through the date hereof, and Seller shall prepare and timely file, in a manner consistent with prior years and applicable law, all tax returns required to be filed on or before the Closing Date. Each of such tax returns is true, accurate and complete in all material respects; provided, that the only representations and warranties made as to the amount of net operating loss carryovers and net capital loss carryovers ("Loss Carryovers") or the basis of the Company and the Subsidiaries in their assets shall be as set forth in subparagraph (r) below.

(c) A consolidated return has been filed for federal income tax purposes for each taxable year through the taxable year ending on December 31, 1994, for an "affiliated group" (within the meaning of Section 1504(a) of the Code), of which each of the Company and the Subsidiaries was an "includable corporation" (within the meaning of Section 1504(b) of the Code).

(d) Except as set forth in Schedule 3.20, no penalties or other charges are or will become due with respect to the late filing of any tax return of the Company or any Subsidiary or the affiliated, combined, consolidated or unitary group of which it is or was a member required to be filed for any period ending on or before the Closing Date.

(e) With respect to all tax returns of the Company or the affiliated, combined, consolidated or unitary group of which it is or was a member, (i) the statute of limitations for the assessment of Taxes has expired for all periods, other than the periods indicated on Schedule 3.20; and (ii) except as set forth on Schedule 3.20, no

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audit is in progress and no extension of time is in force with respect to any date on which any such return for Taxes was or is to be filed and no waiver or agreement is in force for the extension of time for the assessment or payment of any Tax.

(f) Schedule 3.20 sets forth the status of federal income tax audits of the returns of the Company for each fiscal year for which the statute of limitations has not expired, including the amounts of any deficiencies and additions to tax, interest and penalties indicated on any notices of proposed deficiency or statutory notices of deficiency, and the amounts of any payments made with respect thereto. Each return filed by the Company for which the federal income tax audit has not been completed accurately reflects in all material respects the amount of liability for Taxes for the period covered by such return and makes all disclosures required by the Code and regulations thereunder and other applicable law. Neither the Company nor any Subsidiary has agreed to and or is required to make any adjustments under Section 481(a) of the Code by reason of a change in accounting method or otherwise.

(g) To Seller's Knowledge, Schedule 3.20 sets forth the status of state, local and foreign tax audits of the returns of each of the Company, the Subsidiaries and the affiliated, combined, consolidated or unitary group of which it is or was a member for each fiscal year for which the statute of limitations has not expired, including the amounts of any deficiencies or additions to tax, interest and penalties that have been made or proposed, and the amounts of any payments made by the Company or a Subsidiary and the affiliated, combined or unitary group of which it is or was a member with respect thereto. Each state and local income tax return filed by the Company or a Subsidiary and the affiliated, combined or unitary group of which it is or was a member for which the tax audit has not been completed accurately reflects in all material respects the amount of its liability for Taxes for the period covered by such return and makes all material disclosures required by applicable law.

(h) Except as set forth in Schedule 3.20, there are no federal tax elections under the Code that are in effect with respect to the Company, the Subsidiaries or the affiliated, combined, consolidated or unitary group of which the Company or any Subsidiary is or was a member (i) for the fiscal year ended December 31, 1995, (ii) the taxable period or portion thereof ending on the Closing Date or (iii) which would affect any taxable period of the Company or any Subsidiary after the Closing Date.

(i) Neither the Company nor any Subsidiary has at any time consented under Section 341(f)(1) of the Code to have the provisions of Section 341(f)(2) of the Code apply to any sale of its stock.

(j) Except as set forth on Schedule 3.20, neither the Company nor any Subsidiary is a party to, nor is bound by or has any obligation under any tax sharing, tax indemnification or similar agreement.

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(k) Neither the Company nor any Subsidiary has made any payments, is obligated to make any payments, or is a party to any agreement that could require it to make any payments, that are not deductible under Section 280G or 162(m) of the Code.

(l) No asset of the Company or any of the Subsidiaries is tax exempt use property under Section 168(h) of the Code. No portion of the cost of any asset of the Company or any of the Subsidiaries is financed directly or indirectly from the proceeds of any tax exempt state or local governmental obligation described in Section 103(a) of the Code.

(m) None of the assets of the Company or any of the Subsidiaries is property that the Company or any of the Subsidiaries is required to treat as being owned by any other person pursuant to the safe harbor lease provisions of former Code Section 168(f)(8). None of the assets of the Company or any of the Subsidiaries is subject to a lease described in Section 7701(h) of the Code or under any predecessor provision.

(n) Neither the Company nor any of the Subsidiaries currently has a permanent establishment in any foreign country or engages or has previously engaged in a trade or business in any foreign country. Except for the Seller, neither the Company nor any of the Subsidiaries is a foreign person within the meaning of Code Section 1445.

(o) The Company and each Subsidiary has maintained such records in respect of each transaction, event and item (including as required to support otherwise allowable deductions and losses) as are required under applicable Law.

(p) Neither the Company nor any Subsidiary has been a United Stated real property holding corporation within the meaning of Code Section 897(c)(2) during the applicable period specified in Code Section 897(c)(1)(A)(ii) and the Seller shall so certify in the manner provided by applicable Treasury Regulations under Code Section 897.

(q) To Seller's Knowledge, as of the Closing Date, none of the Company or any of the Subsidiaries is a partner in any joint venture, partnership or other arrangement or contract that could be treated as a partnership for federal income tax purposes.

(r) (i) The basis of the Company and the Subsidiaries in their assets as of December 31, 1994 for federal income tax purposes is not less than 85% of the amounts set forth on Schedule 3.20; (ii) the amount of the Loss Carryovers as of December 31, 1994 allocable to the Company or any of the Subsidiaries is not less than 85% of the amounts set forth on Schedule 3.20; and (iii) the amount of any Loss

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Carryovers as of December 31, 1994 allocable to the Company or any of the Subsidiaries for purposes of the Alternative Minimum Tax is not less than 85% of the amounts set forth on Schedule 3.20; provided, that Sellers make no representation or warranty as to the utilization of any Loss Carryovers shown on such tax returns.

3.21. Product Warranty. All products processed, distributed, shipped or sold by the Company or any Subsidiary conform with all applicable contractual commitments, except where a failure to conform by the Company or a Subsidiary would not permit the other party to terminate such contract. No products heretofore distributed, sold or delivered by the Company or a Subsidiary are now subject to any guarantee, warranty, claim for product liability, or patent or other indemnity, other than those set forth in Schedule 3.21. All warranties are in conformity in all material respects with the labeling and other requirements of applicable law.

3.22. Legal Proceedings. Except as set forth in Schedule 3.22, neither the Company nor any Subsidiary is engaged in or a party to or, to Seller's Knowledge, threatened with any action, suit, proceeding, complaint, charge, hearing, investigation or arbitration or other method of settling disputes or disagreements (other than environmental claims as to which Section 3.23 applies). As of the date hereof, neither Seller nor the Company nor any Subsidiary has received notice of any investigation threatened by any Governmental Entity. As of the date hereof, except as set forth in Schedule 3.22, neither the Company nor any Subsidiary is subject to any judgment, order, writ, injunction, stipulation or decree of any court or any Governmental Entity or any arbitrator.

3.23. Environmental Matters. Except as set forth in Schedule 3.23:

(a) Neither Seller nor the Company nor any Subsidiary has received written notice from any Governmental Entity that the Company or any Subsidiary is not in compliance in all material respects with all applicable federal and state laws and regulations in effect on the date hereof relating to pollution or the environment under the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), 42 U.S.C.A. ss.ss. 9601 et seq., the Resource Conservation and Recovery Act, 42 U.S.C.A. ss.ss. 6901 et seq. the Clean Water Act, 33 U.S.C.A. ss.ss. 1251 et seq., the Clean Air Act, 42 U.S.C.A. ss.ss. 7401 et seq., and laws and regulations relating to emissions, spills, leaks, discharges, releases or threatened releases of any "hazardous substance," or "hazardous waste," as defined therein, petroleum and petroleum products, natural gas or synthetic gas, material that is a source, special nuclear or by-product material, as defined by the Atomic Energy Act of 1954, 42 U.S.C.A. ss.ss. 3011 et seq., and the regulations promulgated thereto and "hazardous chemical," as defined in 29 C.F.R. Part 1910 or otherwise relating to the manufacture, possession, distribution, use, treatment, storage, disposal,

transport or handling of such material (such laws and regulations being hereinafter referred to as "Environmental Laws");

(b) All material permits and other governmental authorizations required under Environmental Laws currently held by the Company or a Subsidiary are identified on Schedule 3.23, and, as of the date hereof, the Company and each Subsidiary is in compliance in all material respects with the terms and conditions of such permits and authorizations; and

(c) To Seller's Knowledge, Schedule 9.7 lists all of the violations of Environmental Laws by the Company or its Subsidiaries for which remediation could be required by a Governmental Entity.

3.24. Compliance with Law. The Company and each Subsidiary complies, in all material respects, with all statutes, codes, ordinances, licensing requirements, laws, rules, regulations, decrees, awards or orders applicable to the Business to the extent necessary to carry on the Business as currently conducted, including those relating to employment, the production, sale and distribution of products, and control of foreign exchange, except with respect to Benefit Plans and Environmental Laws which are covered by Sections 3.17 and 3.23, respectively.

3.25. Capital Expenditures. Each of the Company and the Subsidiaries has outstanding commitments for capital expenditures as set forth on Schedule 3.25.

3.26. Brokers. Except for Smith Barney Inc. ("Smith Barney") (whose fees shall be paid by Seller), neither Seller nor the Company has retained any broker, finder or agent or incurred any liability or obligation for any brokerage fees, commissions or finders fees with respect to this Agreement or the transactions contemplated hereby.

3.27. No Implied Representation. Notwithstanding anything contained in this Article III or any other provision of this Agreement, SELLER IS NOT MAKING ANY REPRESENTATION OR WARRANTY WHATSOEVER, EXPRESS OR IMPLIED, BEYOND THOSE EXPRESSLY GIVEN BY SELLER IN THIS AGREEMENT, INCLUDING, BUT NOT LIMITED TO, ANY IMPLIED WARRANTY OR REPRESENTATION AS TO THE VALUE, CONDITION, MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE OR SUITABILITY OF ANY OF THE ASSETS, PROPERTIES, RIGHTS OR CLAIMS OF SELLER, THE COMPANY, ANY SUBSIDIARY OR THE BUSINESS, OR ANY DOCUMENTS MADE AVAILABLE OR MANAGEMENT PRESENTATION TO BUYER OR ITS REPRESENTATIVES, ALL OF WHICH ARE HEREBY DISCLAIMED.

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ARTICLE IV

REPRESENTATIONS AND WARRANTIES
OF BUYER

Buyer hereby represents and warrants to Seller as of the date hereof, and as of the Closing Date, as follows:

4.1. Authority. Buyer has full right, power and authority and has taken all corporate action, including obtaining approval and consent of its Board of Directors, necessary to execute and deliver this Agreement and to carry out the transactions contemplated hereby. This Agreement has been duly authorized, executed and delivered by Buyer and constitutes a valid and legally binding obligation of Buyer, enforceable against Buyer in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles.

4.2. No Conflicts. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby will not result in the creation of any Lien or the acceleration of any indebtedness or other obligation of Buyer and are not prohibited by, do not violate or conflict with any provision of, and do not result in a default under or a breach of (a) the Certificate of Incorporation, By-Laws or any other organizational documents of Buyer, (b) any contract, agreement, permit, license or other instrument to which Buyer is a party or by which it is bound, (c) any order, writ, injunction, decree or judgment of any court or Governmental Entity, or (d) any law, rule or regulation applicable to Buyer. No approval, authorization, consent or other order or action of or filing with any Governmental Entity is required for the execution and delivery of this Agreement or the consummation by Buyer of the transactions contemplated hereby, other than the expiration of the waiting period under the HSR Act.

4.3. Due Organization. Buyer is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, with full power and authority and all requisite licenses, permits and franchises to own, lease and operate its assets and to carry on the business in which it is engaged. Buyer is duly licensed and qualified to do business as a foreign corporation and is in good standing in all jurisdictions where failure to be so licensed or qualified would have a material adverse effect upon its business or assets.

4.4. Brokers. Buyer has not retained any broker, finder, advisor or intermediary or incurred any liability or obligation for any brokerage fees, commissions or finders fees with respect to this Agreement or the transactions contemplated hereby.

4.5. Buyer's Investment Intent. Buyer is purchasing the Stock for its own account and not with a view to, or present intention of, sale or distribution thereof in violation of the

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Securities Act of 1933, as amended (the "1933 Act") and such shares will not be disposed of in contravention of the 1933 Act. Buyer acknowledges that such shares are not and have not been registered with the Securities and Exchange Commission or any securities commission or agency of any state, and may not be transferred or disposed of without registration under the 1933 Act and applicable state securities laws or an exemption from such registration.

4.6. Buyer's Business Investigation. Buyer has conducted such investigation of the Business as it has deemed necessary in order to make an informed decision concerning the transactions contemplated hereby. As of the date hereof, with respect to information furnished by Seller, Buyer has relied only upon information set forth herein or in a Schedule attached hereto and has not relied upon any other information or statement, oral or written, not described herein or in a Schedule attached hereto, notwithstanding the delivery or disclosure to Buyer by Seller or any representative or other information with respect to any of the foregoing. As of the Closing, Buyer acknowledges that, to the extent permitted on Schedule 5.5, it has been given access to and, to the extent Buyer deemed necessary and was permitted by Seller pursuant to Schedule 5.5, has visited and examined the premises of the Business and is familiar with the condition thereof. The Buyer does not know of any breach of any representation or warranty set forth in Article III hereof.

4.7. Financial Capacity. As of the date hereof, Seller shall has received from the Buyer a highly-confident letter from Donaldson, Lufkin and Jenrette ("DLJ") relating to the U.S. $84,000,000 of financing required at Closing, on terms and conditions acceptable to Buyer in its sole discretion. Prior to the date hereof, Smith Barney has been given the opportunity to make appropriate inquiry of DLJ and Buyer concerning such letter.

4.8. Disputes or Proceedings. There is no action, arbitration, audit, hearing, investigation, litigation, or suit (whether civil, criminal, administrative, investigative, or informal) pending or, to Buyer's knowledge, threatened that challenges or may have the effect of preventing, delaying, making illegal, or otherwise interfering with, the consummation of the transactions contemplated thereby.

4.9. Solvency of the Company. After giving effect to the consummation of the transactions contemplated hereby and any financing of this transaction arranged by Buyer, the Company and the Subsidiaries will be Solvent (hereinafter defined). For purposes of this Section 4.9 and for purposes of the condition precedent set forth in Section 8.3, the term "Solvent" means for the Company and the Subsidiaries (on a consolidated basis) that (i) the fair value (on a going concern basis) of their assets exceeds the total amount of their liabilities, including contingent liabilities, (ii) the present fair salable value of their assets is not less than the amount that will be required to pay the probable liability on their debts as they become absolute and matured, (iii) they are able to realize on their assets and pay their debts and other liabilities, contingent obligations and other commitments as they mature in the ordinary course of business, (iv) Buyer does not intend for them to, and does not believe that they will, incur debts or liabilities beyond their ability to pay as such debts and liabilities

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mature, and (v) they are not engaged in a businesses or transactions for which their property would constitute unreasonably small capital after giving due consideration to the prevailing practice in the industries in which they are engaged. For purposes of the preceding sentence, in computing the amount of contingent liabilities at any time, such liabilities shall be computed at the amount which, in light of all the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability.

ARTICLE V

COVENANTS OF SELLER

Seller hereby agrees to keep, perform and fully discharge the following covenants and agreements.

5.1. HSR Act Compliance. Seller shall file or cause to be filed with the Federal Trade Commission and the United States Department of Justice within five (5) days after the date of this Agreement, the notifications required to be filed by its "ultimate parent" under the HSR Act with respect to the transactions contemplated herein. Seller will use its best efforts to, or to cause its affiliates to, make such filings promptly, to respond to any requests for additional information made by either of such agencies, to cause the waiting periods under the HSR Act to terminate or expire at the earliest possible date, and to resist vigorously any assertion that the transactions contemplated hereby constitute a violation of the antitrust laws, all to the end of expediting consummation of the transactions contemplated hereby.

5.2. Liabilities and Other Obligations. Seller agrees that all Excluded Claims shall be Seller's sole obligation and responsibility and that Buyer is not assuming any such liability or obligation and Buyer shall have no responsibility therefor.

5.3. Interim Financial Information. Seller will supply Buyer with unaudited consolidated monthly financial statements of the Company and its Subsidiaries within ten (10) days of the end of each month ending between March 31, 1996, and the Closing Date certified by its President and its Chief Financial Officer as having been prepared in accordance with the procedures employed by the Company in preparing prior monthly financial statements. All such financial statements shall be accompanied by a certificate of the Company's President and its Chief Financial Officer certifying that such financial statements were prepared on a basis consistent with the unaudited consolidated financial statements for the preceding months and such unaudited statements include all adjustments (all of which were normal recurring adjustments) necessary to fairly present in all material respects the financial position, results of operations and changes in financial position at and for such period.

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5.4. Interim Conduct of Business. From the date hereof until the Closing, unless approved by Buyer in writing, Seller shall cause the Company and each Subsidiary to operate the Business consistent with past practice and in the ordinary course of business and, except as permitted under Section 5.7 hereof will not permit the Company or any Subsidiary to:

(a) merge or consolidate with or agree to merge or consolidate with, nor purchase or agree to purchase all or substantially all of the assets of, nor sell or agree to sell all or substantially all of the assets of the Company or any Subsidiary, nor otherwise acquire, any corporation, partnership, or other business organization or division thereof;

(b) amend the Certificate of Incorporation or By-Laws of any such company;

(c) make any changes in its accounting methods, principles or practices;

(d) sell, consume or otherwise dispose of any assets, except in the ordinary course of business consistent with past practices;

(e) authorize for issuance, issue, sell or deliver any additional shares of the Company's capital stock of any class or any securities or obligations convertible into shares of its capital stock or issue or grant any option, warrant or other right to purchase any shares of its capital stock of any class;

(f) declare any dividend on, or make any distribution with respect to, the capital stock of any such company;

(g) modify, amend or terminate any Benefit Plans, except as under applicable law, or Material Contracts;

(h) agree, undertake or commit to make any capital expenditure in required excess of U.S. $200,000 in the aggregate, except as set forth in Schedule 3.25;

(i) agree, undertake, or commit to carry out any investigation, assessment, remediation, or response action regarding the presence or possible presence of any Hazardous Materials, unless the results are communicated to the Buyer in writing;

(j) take any of the actions specified in (a) through (i) or cause the Company to incur any liabilities for borrowed money, other than liabilities incurred in the ordinary course of business consistent with past practices; or

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(k) authorize or enter into an agreement to do any of the foregoing.

5.5. Access. Seller shall, and shall cause the Company to, give Buyer and its representatives reasonable access to all properties, facilities, senior management, books, contracts, commitments and records as provided on Schedule 5.5. During the periods provided on Schedule 5.5, Seller, the Company and each Subsidiary shall furnish Buyer with all financial and operating data and other information as to the Company, the Business and their respective assets, properties, rights and claims, as Buyer from time to time may reasonably request in furtherance of the due diligence process. Except as provided on Schedule 5.5 in connection with field due diligence, Buyer agrees not to contact any vendors, distributors or customers or nonofficer employees of the Company or Seller without the prior written consent of Seller, such consent to not be unreasonably withheld. Seller shall consult with Buyer and keep Buyer reasonably apprised of material developments relating to the Business.

5.6. Seller's Efforts. Seller shall use its best efforts to consummate the transactions contemplated by this Agreement and shall not take any other action inconsistent with its obligations hereunder or which could hinder or delay the consummation of the transactions contemplated hereby except as permitted in Section 5.7. From the date hereof through the Closing Date, Seller shall use its best efforts to fulfill the conditions precedent to its obligations hereunder and to assist Buyer in completing the Systems Conversion.

5.7. No Shop. Seller agrees not to actively solicit, initiate or encourage the submission of inquiries, proposals or offers from any other person relating to a purchase of either the assets or capital stock of the Company or to respond to any unsolicited inquiries; provided, however, that Seller shall be permitted to solicit proposals, inquiries or offers or to respond to any unsolicited inquiries in the event (a) the transactions contemplated by this Agreement have not closed prior to May 15, 1996, (b) the Buyer gives written notice to the Seller (which notice shall be given by Buyer immediately upon its knowledge thereof) that a problem has surfaced as a result of the Buyer's due diligence which would reasonably be expected to result in a failure to close the transactions contemplated hereby and such problem has not been resolved within two Business Days thereof or (c) the Buyer gives written notice to the Seller (which notice shall be given by Buyer immediately upon its knowledge thereof) that a problem has occurred which would reasonably be expected to prohibit the Buyer from obtaining financing for the transactions contemplated by this Agreement.

5.8. Covenant Not To Compete. In exchange for an aggregate payment to Seller of U.S. $1,200,000 payable in three (3) equal annual installments of U.S. $400,000, commencing on the Closing Date, Seller agrees to the restrictions contained in this Section 5.8.

(a) In order that Buyer and its affiliates may enjoy the benefits of the goodwill of the Company and the Subsidiaries and the confidential information thereof, subject to Section 5.8(b), Seller agrees that, for a period of five (5) years from the Closing

Date in the geographical markets in which the Business is currently conducted, neither Seller nor any affiliate of Seller will, directly or indirectly, alone or in association with any other person, firm, corporation or other business organization, engage in activities competitive with the Business.

(b) Notwithstanding Section 5.8(a), (i) Seller and its affiliates may own up to 5% of a class of equity securities of a publicly held company engaged in the Business and (ii) Seller and its affiliates may acquire an interest in the securities or assets of an entity engaged in the Business, if such acquisition is part of a larger acquisition and either the assets engaged in the Business constitute no more than 20% of the total assets acquired (by means of stock or asset acquisition) or the revenues from such Business, for the last fiscal year preceding the acquisition, constitute no more than 20% of the total revenues from all assets and/or entities acquired and if Seller disposes of the assets related to the Business which are acquired in such acquisition within twelve (12) months after the closing of such acquisition.

(c) For purposes of this Section 5.8, the parties acknowledge that the term "Business" shall not include (i) the marketing and selling of propane on a wholesale basis in the State of New York, including the transporting of liquid petroleum products and by-products with respect thereto, (ii) Seller's operations at the Marysville, Michigan Underground Storage Terminal and (iii) the purchase, sale or exchange of propane at major supply points and pipelines in the United States, including, but not limited to, the Mt. Belvieu, Conway and Cochin pipeline and storage systems.

(d) As a separate and independent covenant, Seller agrees that, for a period of five (5) years from the Closing Date, neither it nor any of its affiliates will, directly or indirectly, for the purpose of engaging in the Business, call upon, solicit, advise or otherwise do, or attempt to do, business with any customer of the Company or any Subsidiary as of the Closing Date to take away or interfere with the Business (except that any business or entity of the type described in (b)(ii) above may continue to compete with the Business to the extent set forth in (b)(ii) above) or induce or solicit any employees of the Company, any Subsidiary, or Buyer to leave the employ of the Company, any Subsidiary or Buyer.

(e) The period of time during which Seller and its affiliates are prohibited from engaging in certain activities pursuant to the terms of this Section 5.8 shall be extended by the length of time, if any, during which Seller or any of its affiliates is in breach of the terms of this Section 5.8.

(f) Seller acknowledges that the failure of Seller or any of its affiliates to comply with the provisions of this Section 5.8 will result in irreparable and continuing damage to Buyer and its affiliates for which there will be no adequate remedy at law and that, in the event of a failure of Seller or any of its affiliates so to comply, Buyer

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and its successors and permitted assigns shall be entitled to injunctive relief and to such other and further relief as may be proper and necessary to ensure compliance with the provisions of this Section 5.8.

5.9. Certificate as to Book Equity. Until the thirty-fifth month after the Closing, within ten (10) days after the end of any calendar month in which the Seller's book equity falls below $100,000,000 Canadian, Seller shall cause its Chief Financial Officer to execute and deliver a certificate attesting as to Seller's book equity as evidenced by Seller's unaudited financial statements.

ARTICLE VI

COVENANTS OF BUYER

Buyer hereby agrees to keep, perform and fully discharge the following covenants and agreements.

6.1. HSR Act Compliance. Buyer shall file or cause to be filed with the Federal Trade Commission and the United States Department of Justice within five (5) days of the date after this Agreement, the notifications required to be filed by its respective "ultimate parent" under the HSR Act with respect to the transactions contemplated herein. Buyer will use its best efforts to, or to cause its affiliates to, make such filings promptly, to respond to any requests for additional information made by either of such agencies, to cause the waiting periods under the HSR Act to terminate or expire at the earliest possible date, and to resist vigorously any assertion that the transactions contemplated hereby constitute a violation of the antitrust laws, all to the end of expediting consummation of the transactions contemplated hereby.

6.2. Records and Documents. For ten (10) years following the Closing Date, Buyer shall grant to Seller and its representatives, at Seller's written request, access to and the right to make copies of those Company records and documents (at Seller's expense) as may be reasonably necessary or useful in connection with Seller's business and affairs after the Closing, including the preparation of Tax returns. Buyer shall notify Seller within five (5) days after receiving notice of any Tax audits of the Company or any Subsidiary for any period beginning prior to the Closing Date. Buyer shall permit Seller to control such audits and any related settlements with respect to periods beginning on or prior to the Closing Date; provided, that Seller is obligated to indemnify Buyer under Section 9.6. Buyer will cause the Company to promptly forward to Seller all information and materials regarding Excluded Assets or Excluded Claims, including endorsement of any checks or instruments related thereto.

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6.3. Buyer's Efforts. Buyer shall use its best efforts to consummate the transactions contemplated by this Agreement and shall not take any other action inconsistent with its obligations hereunder or which could hinder or delay the consummation of the transactions contemplated hereby. Buyer shall also use its best efforts to take or cause to be taken all actions necessary, proper or advisable to obtain any consent, waiver, approval or authorization relating to the HSR Act or similar law that is required for the consummation of the transactions contemplated hereby. From the date hereof through the Closing Date, Buyer shall use its best efforts to fulfill the conditions to its obligations hereunder and to cause its representations and warranties to remain true and correct in all material respects as of the Closing Date. Buyer agrees to maintain strict confidentiality of all information furnished in connection with the transactions contemplated hereby, all in accordance with the terms and conditions of the Confidentiality Agreement, dated August 22, 1995 (the "Confidentiality Agreement"). In the event that the transactions contemplated hereby are not consummated, Buyer shall return to Seller all written information furnished to it (and an executive officer shall certify in writing as to such return) and will not thereafter use such information for any purpose whatsoever or permit any such confidential information to be made publicly available.

6.4. WARN Act Compliance. Buyer shall cause the Company to comply with the WARN Act and be solely responsible for furnishing the required notice of any "plant closing" or "mass layoff" which may occur after Closing, as applicable; provided, however, that if prior to the Closing, Buyer desires to effect a "plant closing" or "mass layoff" within sixty (60) days after the Closing Date and so notifies Seller and the Company in writing, Buyer may empower the Company, as its agent, to furnish the required notice, as directed by Buyer, with the further understanding that Buyer shall indemnify and hold Seller harmless for any inadequacy of such notice and for any liabilities under the WARN Act.

ARTICLE VII

CONDITIONS PRECEDENT TO OBLIGATIONS OF BUYER

Each and all of the obligations of Buyer to consummate the transactions contemplated by this Agreement are subject to fulfillment prior to or at the Closing of the following conditions:

7.1. Accuracy of Warranties and Performance of Covenants. The representations and warranties of Seller contained herein shall be true in all material respects on and (except where they speak of a specific date) as of the Closing Date, except for failures to be true and correct resulting from omissions or actions taken with Buyer's written consent. Seller shall have performed in all material respects all of the obligations and complied with each and all of the covenants, agreements and conditions required to be performed or complied with on or prior to the Closing.

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7.2. No Pending Action. The waiting period under the HSR Act shall have expired or been terminated, and no Governmental Entity of competent jurisdiction shall have enacted, issued, promulgated, enforced or entered any statute, rule, regulation, judgment, decree, injunction or other order (whether temporary, preliminary or permanent) that is in effect and restrains, enjoins or otherwise prohibits consummation of the transactions contemplated in this Agreement.

7.3. Certain Indebtedness. Seller shall have caused all indebtedness of the Company and the Subsidiaries to or from Seller to be satisfied in full and shall have delivered to Buyer evidence of satisfaction of such obligations.

7.4. No Adverse Change. There shall have been no material adverse change since January 1, 1996, in the business, customer base, financial condition, earnings or operations of the Company or any Subsidiary.

7.5. No Proceeding or Litigation. No action, suit or proceedings before any court, arbitrator or Governmental Authority shall have been commenced or threatened, and no investigation by any Governmental Authority shall have been commenced or threatened against Seller or Buyer or any of their respective principals, officers or directors seeking to restrain, prevent or change the transactions contemplated hereby or questioning the validity or legality of any of such transactions or seeking damages in connection with any of such transactions.

7.6. No Debt. Neither the Company nor any Subsidiary shall have any liability or obligation at Closing in connection with any (i) capitalized leases or (ii) borrowed money, except as disclosed on Schedule 3.19.

7.7. Financing. The Buyer shall have borrowed funds sufficient to make payment of the Purchase Price and any other amounts to be paid by Buyer hereunder.

ARTICLE VIII

CONDITIONS PRECEDENT TO OBLIGATIONS OF SELLER

Each and all of the obligations of Seller to consummate the transactions contemplated by this Agreement are subject to fulfillment or waiver prior to or at the Closing of the following conditions:

8.1. Accuracy of Warranties and Performance of Covenants. The representations and warranties of Buyer contained herein shall be true in all material respects as of the Closing Date. Buyer shall have performed in all material respects all of the obligations and

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complied with each and all of the covenants, agreements and conditions required to be performed or complied with on or prior to the Closing.

8.2. No Pending Action. The waiting period under the HSR Act shall have expired or been terminated, and no Governmental Entity of competent jurisdiction shall have enacted, issued, promulgated, enforced or entered any statute, rule, regulation, judgment, decree, injunction or other order (whether temporary, preliminary or permanent) that is in effect and restrains, enjoins or otherwise prohibits consummation of the transactions contemplated in this Agreement.

8.3. Solvency Certificate. Simultaneously with the Closing, Buyer shall have caused to be prepared and delivered to Seller a certificate, duly executed by an appropriate officer of Buyer and in form and substance reasonably satisfactory to Seller, to the effect that based upon Seller's representations and warranties contained in Article III, and after giving effect to the transactions contemplated by this Agreement and the financing arranged by Buyer, the Company and the Subsidiaries (on a consolidated basis) are Solvent.

8.4. Financing. The Buyer will have sufficient funds available to make payment of the Purchase Price and any other amounts to be paid by Buyer hereunder.

ARTICLE IX

SURVIVAL AND INDEMNIFICATION

9.1. Survival of Representations and Warranties. The representations and warranties of Seller and Buyer included in this Agreement shall survive for a period of eighteen (18) months after the Closing Date and shall thereafter expire, except with respect to breaches and violations theretofore specified in reasonable written detail to Seller by Buyer or to Buyer by Seller, as the case may be prior to the eighteenth month after the Closing Date and except for the representations and warranties contained in Sections 3.17 to the extent relating to Benefit Plans covered by ERISA and 3.20 relating to Taxes which shall survive for the applicable statute of limitations (and any extension or waiver thereof) for any tax return covering any tax year ending on or before December 31, 1996 and the representations in Sections 3.1, 3.4, 3.5, 4.1, 4.4 and 4.5 (collectively, the "Excluded Representations"), which shall survive from the Closing. Notwithstanding anything to the contrary contained herein, all claims for damages based on intentional or fraudulent actions, or intentional misrepresentations shall never expire.

9.2. Indemnification of Buyer. Subject to the terms and conditions of this Article IX and except with respect to Tax matters which are covered by Section 9.6 hereof and environmental matters which are covered by Section 9.7 hereof, Seller agrees to indemnify and hold harmless Buyer and its affiliates, and, if applicable, their respective

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directors, officers, shareholders, attorneys, accountants, agents, employees and financial advisors and their respective successors and permitted assigns against and in respect of any and all claims, demands, losses, damages, costs and reasonable expenses, including reasonable legal fees and expenses, other than any indirect or consequential damages ("Damages"), resulting from or arising out of (i) any failure of Seller to perform or otherwise fulfill or comply with any provision of this Agreement and (ii) any breach or violation of any representation or warranty of Seller hereunder or in any certification or instrument delivered to Buyer in connection with Closing for the period such representation and warranty survives hereunder.

9.3. Indemnification of Seller. Subject to the terms and conditions of this Article IX, Buyer agrees to indemnify and hold harmless Seller and its affiliates, and, if applicable, their respective directors, officers, shareholders, attorneys, accountants, agents, employees and financial advisors and their respective successors and permitted assigns against and in respect of any and all Damages resulting or arising from (i) any failure by Buyer to perform or otherwise fulfill or comply with any provision of this Agreement and (ii) any breach or violation of any representation or warranty of Buyer hereunder or in any or certificate or instrument delivered to Seller in connection with Closing for the period such representation and warranty survives hereunder.

9.4. Claims. Any claim for indemnity under Sections 9.2, 9.3, 9.6, 9.7 or 9.8 shall be made by written notice from the party seeking to be indemnified (the "Indemnified Party") to the party from which indemnification is sought (the "Indemnifying Party") specifying in reasonable detail the basis of the claim. In order to make a claim for indemnification hereunder, the Indemnified Party shall not settle or compromise any claim which would be covered by indemnification pursuant to Sections 9.6, 9.7 or 9.8 or any other claim less than U.S. $2,500 without complying with the provisions set forth in this Section 9.4, except as required under applicable law. When an Indemnified Party seeking indemnification receives notice of any claims made by third parties ("Third Party Claims") which is to be the basis for a claim for indemnification hereunder, the Indemnified Party shall give written notice within a reasonable period thereof to the Indemnifying Party reasonably indicating the nature of such claims and the basis thereof. Upon notice from the Indemnified Party, the Indemnifying Party may, but shall not be required to, assume the defense of any such Third Party Claim, including its compromise or settlement, and the Indemnifying Party shall pay all reasonable costs and expenses thereof and shall be fully responsible for the outcome thereof; provided, however, that (i) the Indemnifying Party shall not settle or compromise any such claim without the Indemnified Party's prior written consent (which consent shall not be unreasonably withheld) and (ii) the Indemnifying Party shall not, without the written consent of the Indemnified Party, settle or compromise any claim which does not include as an unconditional term thereof the giving by the claimant or the plaintiff to Indemnified Party, a release from all liability in respect to such claim. In connection with any claim involving any remedy other than monetary damages, the Indemnified Party shall have the right to be kept informed and be consulted in connection with the resolution of such

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claim. The Indemnifying Party shall give notice to the Indemnified Party as to its intention to assume the defense of any such Third Party Claim within thirty (30) days after the date of receipt of the Indemnified Party's notice in respect of such Third Party Claim. If an Indemnifying Party does not, within thirty (30) days after the Indemnified Party's notice is given, give notice to the Indemnified Party of its assumption of the defense of the Third Party Claim, the Indemnifying Party shall be deemed to have waived its rights to control the defense thereof. If the Indemnified Party assumes the defense of any Third Party Claim because of the failure of the Indemnifying Party to do so in accordance with this Section 9.4, the Indemnifying Party shall pay all reasonable costs and expenses of such defense and shall be fully responsible for the outcome thereof; provided, however, that the Indemnifying Party shall only be responsible for reasonable fees and expenses of one counsel (in addition to local counsel) for the Indemnified Parties. The Indemnifying Party shall have no liability with respect to any compromise or settlement thereof effected without its prior written consent, which consent shall not be unreasonably withheld.

9.5. Limitation of Liabilities. Each party to this Agreement shall have as sole and exclusive remedy resulting from the breach of any representation or warranty made by the other party to this Agreement, a claim for indemnity under Sections 9.2 or 9.3 of this Agreement; provided, however, that the foregoing shall not limit any party's right to seek specific performance or injunctive relief. Any claims by any Indemnified Party for breach of any representation or warranty hereunder shall be subject to the following limitations and adjustments:

(a) the provisions for indemnity shall be effective only when the aggregate amount of all Damages for which Seller is liable under Section 9.2(ii) hereof (subject to reduction for any amounts paid by Seller under Section 9.3(ii) hereof) exceeds U.S. $1,000,000 in which case Seller shall be liable for all such Damages up to U.S. $25,000,000. It is hereby expressly agreed that Buyer shall be responsible for all amounts in excess of U.S. $25,000,000; provided, however, that no individual occurrence resulting in damage in an amount less than U.S. $2,500 shall be eligible for indemnification payments hereunder or included in the $1,000,000 threshold; provided, further that Buyer shall be entitled to indemnification only in excess of the U.S.
$1,000,000 threshold;

(b) the amount of any claim by Buyer for indemnification under Section 9.2(ii) shall be reduced by the amount of any reserves provided for in the Closing Statement of Net Working Capital; provided that the claim relates to the category or class for which the reserve was established;

(c) any payments made pursuant to Article IX shall be treated as an adjustment to the Purchase Price; and

(d) the amount of any Damages claimed by any Indemnified Party hereunder shall be reduced to the extent of any insurance proceeds, indemnification or other reimbursement or payment recoverable by and paid to the Indemnified Party (or to the extent that the Indemnified Party reasonably expects to receive insurance proceeds) in connection with such Damages; provided, however, that the foregoing reduction shall not be applied, if to do so would excuse any insurer from any obligation to cover any loss.

Seller shall be subrogated to any and all defenses, claims or setoffs which Buyer or the Company asserted or could have asserted with respect to any Third Party Claim. Buyer shall, and shall cause the Company to, execute and deliver to Seller such documents as may be necessary or appropriate to establish by way of subrogation the ability and right of Seller to assert such defenses, claims or setoffs. IN NO EVENT SHALL SELLER BE LIABLE FOR INCIDENTAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, nor shall there be any double counting of any item of Damage.

9.6. Indemnification for Taxes.

(a) Seller shall indemnify Buyer against and agrees to pay all Taxes imposed and all reasonable costs and expenses, including, without limitation, litigation costs and attorneys' and accountants' fees and expenses incurred (all herein referred to as "Tax Losses") as a result of:

(i) Any liability for or any claim, notice of deficiency or assessment by any Governmental Entity for any Taxes that are imposed on or incurred by the Company or any Subsidiary (for its own Taxes or its liability, if any, for the Taxes of others) for the taxable period ending on or before the Closing Date, but only to the extent not reserved against on the Final Closing Statement of Net Working Capital;

(ii) Any Taxes imposed on or incurred by the Company or any Subsidiary (for its own Taxes or its liability, if any, for the Taxes of others) for any taxable period which begins on or before the Closing Date and ends after the Closing Date, but only to the extent attributable to operations or transactions occurring on or prior to the Closing and not reserved against on the Final Statement of Net Working Capital; and

(iii) Any misrepresentation or breach of any warranty or obligation of Seller set forth in Section 3.20 or this Article IX.

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(b) Buyer hereby indemnifies Seller against all Taxes resulting from any liability for or any claim, notice of deficiency or assessment by any Governmental Entity for any Taxes imposed on Seller that are attributable to the operations or transactions of the Company or any Subsidiary or transactions occurring after the Closing Date.

(c) Except as otherwise provided in this Article IX, any amount to which a party is entitled under this Article IX shall be promptly paid to such party by the party obligated to make such payment following written notice to the party so obligated that the Taxes to which such amount relates have been paid or incurred and that provides details supporting the calculation of such amount.

(d) The indemnification obligations of Seller and Buyer under this Section 9.6 shall not be subject to the limitations set forth in Section 9.5.

9.7. Indemnification for Environmental Matters.

(a) Seller shall indemnify Buyer against any and all claims, demands, losses, damages, costs and reasonable expenses, including reasonable legal fees and expenses, other than any indirect or consequential damages, resulting from (i) any failure to comply with any Environmental Laws for which remediation is required by any Governmental Entity and (ii) any of the matters set forth in Schedule 9.7 (all herein referred to as "Environmental Claims"); provided, however, that Seller shall only be obligated to correct or remediate any Environmental Claim to the extent such correction or remediation is required by any Governmental Entity; provided, further that Seller's indemnification obligation pursuant to clause (i) hereof shall only survive for a period of three years after Closing; provided, further, Seller's indemnification obligations shall continue to survive after such three year period until remediation efforts have been completed to the satisfaction of such Governmental Entity in connection with any remediation required by any Governmental Entity prior to the end of the three year period. Notwithstanding anything contained herein, Seller shall not be responsible for any remediation of Environmental Claims unless Buyer shall provide Seller with access to the facilities and sites necessary to make such remediation.

(b) Buyer hereby indemnifies Seller against all violations of Environmental Laws that are attributable to operations of the Business after the Closing Date.

(c) Except as otherwise provided in this Article IX, any amount to which a party is entitled under this Article IX shall be promptly paid to such party by the party obligated to make such payment following written notice to the party so obligated that the Environmental Claim to which such amount relates has been paid or incurred and that provides details supporting the calculation of such amount.

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(d) The indemnification obligations of Seller and Buyer under this Section 9.7 shall not be subject to the limitations set forth in Section 9.5.

9.8. Insurable Claims.

(a) From and after the Closing Date, the Seller shall indemnify Buyer against any and all claims, demands, losses, damages, costs and reasonable expenses, other than any indirect or consequential damages, resulting from incidents of a type which are customarily covered by vehicular, product liability or comprehensive general liability insurance (the "Insurable Claims") to the extent the incident giving rise to such Insurable Claims occurred on or prior to the Closing. Any Insurable Claims arising from an incident occurring after the Closing shall be the responsibility of the Buyer and Buyer hereby indemnifies Seller against such Insurable Claims. Except for indemnification under this Section 9.8, Buyer shall not have any other remedy against Seller hereunder for claims constituting Insurable Claims.

(b) Except as otherwise provided in this Article IX, any amount to which a party is entitled under this Article 9.8 shall be promptly paid to such party by the party obligated to make such payment following written notice to the obligated party presenting in reasonable detail a proof of claim. The party entitled to receive payment or indemnification shall transfer and assign all of its rights with respect to such Insurable Claim to the obligated party and its insurer, who shall be subordinated to all such rights. The party entitled to receive payments shall cooperate fully with the obligated party in all matters affecting any Insurable Claim.

(c) The indemnification obligations of Seller and Buyer under this Section 9.8 shall not be subject to the limitations set forth in Section 9.5.

ARTICLE X

TERMINATION BY THE PARTIES

10.1. Events of Termination. Without prejudice to other remedies which may be available to the parties by law or under this Agreement, this Agreement may be terminated and the purchase and sale of the Stock contemplated herein may be abandoned:

(a) by mutual written consent of the parties hereto;

(b) at the election of Seller, if any one or more of the conditions to the obligations of Seller to close has not been fulfilled as of the later of June 30, 1996 or five (5) business days after the expiration or termination of the applicable waiting periods (including any extensions thereof) under the HSR Act;

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(c) at the election of Buyer, if any one or more of the conditions to the obligations of Buyer to close has not been fulfilled as of the later of June 30, 1996 or five (5) business days after the expiration or termination of the applicable waiting periods (including any extensions thereof) under the HSR Act.

10.2. Action Upon Termination. In the event of a termination of this Agreement pursuant to this Article X, the party so terminating shall give written notice thereof to the other and the transactions contemplated by this Agreement shall be terminated without further action by any party. Upon termination of this Agreement:

(a) Buyer shall return to Seller all documents and copies and other material received from Seller relating to the transactions contemplated hereby, the Company or the Business, whether obtained before or after the execution hereof; and

(b) All confidential information received by Buyer shall be treated in accordance with the Confidentiality Agreement, which shall remain in full force and effect notwithstanding the termination of this Agreement.

10.3. Effect of Termination. If this Agreement is terminated and the transactions contemplated hereby are abandoned, this Agreement shall become null and void and of no further force and effect, except for this Article X, Article XI and the obligation of Buyer to keep confidential certain information concerning the Company and the Business. Nothing in this Article X shall be deemed to release any party from any liability for any breach by such party of the terms and provisions of this Agreement or to impair the right of any party to compel specific performance by another party of its obligations hereunder.

ARTICLE XI

GENERAL PROVISIONS

11.1. Amendments and Waiver. No amendment, waiver or consent with respect to any provision of this Agreement shall in any event be effective, unless the same shall be in writing and signed by the parties hereto, and then such amendment, waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. The failure of any party at any time or times to require performance of any provisions hereof shall in no manner affect that party's right at a later time to enforce the same. No waiver by any party of the breach of any term or covenant contained in this Agreement in any one or more instances shall be deemed to be, or construed as, a further or continuing waiver of any such breach, or a waiver of the breach of any other term or covenant contained in this Agreement.

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11.2. Notices. All notices, requests, demands and other communications hereunder shall be in writing and shall be, personally delivered or sent by facsimile transmission with confirming copy sent by overnight courier (such as Express Mail, Federal Express, etc.) and a delivery receipt obtained and addressed to the intended recipient as follows:

(i) If to Buyer:

Ferrellgas, Inc.
One Liberty Plaza
Liberty, Missouri 64068
United States of America
Fax: 816-792-7985
Attention: Danley K. Sheldon

with a copy to:

Bryan Cave LLP
1200 Main Street, Suite 3500
Kansas City, Missouri 64105
United States of America
Fax: 816-391-7600
Attention: Kendrick T. Wallace, Esq.

(ii) If to Seller:

Superior Propane Inc.
75 Tiverton Court
Unionville, Ontario L3R9S3
Canada
Fax: 905-940-7611
Attention: President and CEO

with a copy to:

McDermott, Will & Emery
227 West Monroe Street
Chicago, Illinois 60606-5096
United States of America
Fax: (312) 984-3651
Attention: Wendell H. Adair, Jr., &
Robert A. Schreck, Jr., P.C.

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Any party may change its address for receiving notice by written notice given to the others named above.

11.3. Confidentiality. All information given by any party hereto to any other party shall be considered confidential and shall be used only for the purposes intended. The provisions of the Confidentiality Agreement are incorporated herein by reference and shall continue to apply for the benefit of Seller, the Company and the Subsidiaries as if entirely set forth herein, unless and until the Closing occurs. The provisions of this Section 11.3 and of the confidentiality agreement referenced in the preceding sentence shall remain in force and effect notwithstanding any termination of this Agreement under Article X hereof.

11.4. No Public Announcement. Neither Buyer or any of its affiliates shall make any public announcement or disclosure concerning the transactions contemplated by this Agreement without the prior written approval of the other party, except as required by law or as permitted by the next succeeding sentences. If any party or any of its parent companies determine upon advice of counsel that a public announcement or disclosure is required by applicable securities laws or regulations or stock exchange regulations, such party may make the announcement or disclosure provided it first consults with the other party or parties hereto so that the parties may coordinate concurrent public announcements and/or other disclosures and review the proposed text of such announcement. In addition, the parties shall jointly prepare press releases disclosing the sale of the Company to Buyer, for release immediately upon executing this Agreement and immediately after the Closing.

11.5. Expenses. Except as otherwise expressly provided herein, each party to this Agreement shall pay its own costs and expenses in connection with the transactions contemplated hereby. Any sales, transfer or other taxes (other than income taxes) or fees applicable to the conveyance and transfer from Seller to Buyer of the Stock shall be borne by Buyer. The provisions of this Section 11.5 shall survive any termination of this Agreement.

11.6. Seller's Knowledge. "Knowledge" means, with respect to Seller and the Company, the actual knowledge of D.J. Edwards, T.A. Henry, D. J. Austin and D.M. Carleton after making due inquiry and exercising due diligence with respect thereto, including making inquiry of all of their direct reports and other officers having management responsibilities relevant to the subject matter, including the Senior Market Manager.

11.7. Successors and Assigns. This Agreement shall bind and inure to the benefit of the parties named herein and their respective successors and assigns; provided, however, that neither party shall assign any rights or delegate any of its obligation created under this Agreement prior to Closing without the prior written consent of the other party. This Agreement does not create any rights, claims or benefits inuring to any person that is not a party hereto nor create or establish any third-party beneficiary hereto.

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11.8. Entire Transaction. This Agreement and the documents referred to herein contain the entire understanding between the parties with respect to the transactions contemplated hereby and supersedes all other agreements, understandings and undertakings among the parties on the subject matter hereof. All Schedules hereto are hereby incorporated by reference and made a part of this Agreement.

11.9. Applicable Law; Severability. This Agreement shall be governed by and construed in accordance with the internal substantive laws of the state of Illinois applicable to Agreements made and to be performed entirely within such state. In the event that any provision of this Agreement shall be held to be invalid or unenforceable by any court of competent jurisdiction, such holding shall in no way effect, invalidate or render unenforceable any other provision hereof.

11.10. Good Faith Negotiation/Arbitration. Except as otherwise specifically provided in Section 2.2, Buyer and Seller will attempt to resolve any dispute arising out of or relating to this Agreement promptly by good faith negotiation between senior executives of the parties who will have authority to settle the dispute. The senior executives for the parties for this purpose are set forth below except as otherwise designated in writing:

Buyer	Seller
Mr. Danley K. Sheldon, Senior Vice President	Mr. Donald Edwards, President and CEO

Any dispute arising out of or relating to this Agreement that cannot be settled by good faith negotiation between Buyer and Seller within thirty (30) days of the delivery of a notice of dispute specifying in reasonable detail the nature and extent of the dispute will be submitted to J-A-M-S/ENDISPUTE for final and binding arbitration. Such arbitration shall be conducted by an individual with specific expertise in the propane industry and pursuant to J- A-M-S/ENDISPUTE's Arbitration Rules and the United States Arbitration Act, 9 U.S.C. ss.1-16.

Neither Buyer nor Seller shall bring a civil action seeking enforcement or otherwise founded on this Agreement, except either party may seek injunctive relief to preserve the status quo pending the completion of arbitration under this Agreement. Any demand for arbitration seeking enforcement of or otherwise founded upon this Agreement must be commenced within the survival period applicable to the underlying claim.

11.11. Headings. The headings in this Agreement are for reference only and shall not affect the interpretation of this Agreement.

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IN WITNESS WHEREOF, each of the parties has caused this Agreement to be executed on its behalf by a duly authorized officer all as of the date first written above.

SELLER:

SUPERIOR PROPANE INC.

By: /s/ Donald J. Edwards
Name: Donald J. Edwards
Title: President and
Chief Executive Officer

By: /s/ Tim Henry
Name: Tim Henry
Title: Chief Financial Officer

BUYER:

FERRELLGAS, INC.

By: /s/ Danley K. Sheldon
Name: Danley K. Sheldon
Title: Senior Vice President and
Chief Financial Officer

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FIRST AMENDMENT
TO
AGREEMENT OF LIMITED PARTNERSHIP
OF
FERRELLGAS, L.P.

This FIRST AMENDMENT ("Amendment") to the Agreement of Limited Partnership dated as of July 5, 1994 (the "Partnership Agreement") of Ferrellgas, L.P., a Delaware limited partnership (the "Partnership"), is made and entered into as of April ___, 1996, by and between Ferrellgas Partners, L.P., a Delaware limited partnership and the sole limited partner of the Partnership (the "Limited Partner") and Ferrellgas, Inc., a Delaware corporation and the sole general partner of the Partnership and the Limited Partner (the "General Partner" and, together with the Limited Partner, the "Partners").

Premises

A. Article 10 of the Partnership Agreement prohibits the "pledge, encumbrance or hypothecation" of a Partner's Partnership Interest.

B. Pursuant to the MLP Agreement, the General Partner of the Limited Partner is authorized, as described therein, to pledge the Limited Partner's Partnership Interest in the Partnership.

C. In accordance with the Partnership Agreement, the Partners wish to amend Article 10 thereof to conform such Article 10 to the provisions of the MLP Agreement.

Agreements

In consideration of the premises, the Partners agree as follows:

1. Definitions. All capitalized terms used herein which are not otherwise defined herein shall have the meanings given to such terms in the Partnership Agreement, except to the extent that any such term is expressly amended herein.

2. Pledge of Partnership Interest. The definition of the term "Transfer" in Section 10.1(a) of the Partnership Agreement is hereby amended by changing the period at the end of such Section to a semicolon and adding the following clause:

> "provided, however, that the term "Transfer" shall not include the pledge, encumbrance or hypothecation by a Limited Partner of its Partnership Interest."

3. Transfer of Limited Partner's Partnership Interest. Section 10.3 of the Partnership Agreement is hereby amended by deleting the second sentence of such Section in its entirety and substituting in place thereof the following sentence:

> "A Limited Partner may not transfer all or any part of its Partnership Interest or withdraw from the Partnership except for (i) a transfer described in the immediately preceding sentence, (ii) the transfer by Ferrellgas of its Partnership Interest as a Limited Partner in the Partnership to the MLP as provided in the Contribution Agreement and contemplated by Sections 4.2 and 11.2, (iii) the forced sale or other transfer of a Limited Partner's Partnership Interest pursuant to the foreclosure of, or other realization upon, any lien resulting from the pledge, encumbrance or hypothecation of such Partnership Interest, or (iv) any transfer of a Limited Partner's Partnership Interest by a Person acquiring such Partnership Interest as a result of a sale or other transfer described in the immediately preceding clause (iii), or any transfer by a transferee of any such Person."

4. Admission of a Substituted Limited Partner. The

first sentence in Section 11.3 of the Partnership Agreement is hereby amended by changing the period at the end of such Section to a semicolon and adding the following clause:

> "provided, however, that this clause (b) shall not be applicable in the case of the admission as a Limited Partner of a Person acquiring a Limited Partner's Partnership Interest as a result of a transfer described in clauses (iii) or (iv) of the second sentence of Section 10.3."

5. Withdrawal of the Limited Partner. Section 12.5 of the Partnership Agreement is hereby amended by deleting such Section in its entirety and substituting in place thereof the following Section 12.5:

> "12.5 Withdrawal of a Limited Partner. A Limited Partner shall not have the right to withdraw from the Partnership without the prior consent of the General Partner, which may be granted or withheld in its sole discretion, provided, however, that immediately following a transfer of a Limited Partner's Partnership Interest permitted under Section 11.3, the transferring Limited Partner shall cease to be a Limited Partner with respect to the Partnership Interest so transferred."

6. Ratification of Partnership Agreement. As supplemented and amended by this Amendment, the Partnership Agreement is in all respects ratified and confirmed and the Partnership Agreement, as supplemented and amended by this Amendment, shall be read, taken and construed as one and the same instrument. All references in the Partnership Agreement to the term "Partnership Agreement" are hereby amended to constitute a reference to the Partnership Agreement, as supplemented and amended by this Amendment.

7. Governing Law. This Amendment and the rights and obligations of the parties under this Amendment shall be governed by, and construed and interpreted in accordance with, the laws of the State of Delaware.

8. Counterparts. This Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute the whole Amendment.

9. Binding Effect. This Amendment shall be binding upon and inure to the benefit of the Partners and their respective successors and assigns.

10. Effective Date. This Amendment shall be effective as of the date first above written.

IN WITNESS WHEREOF, the Partners have caused this Amendment to be executed and delivered on the date first above written.

THE GENERAL PARTNER:

FERRELLGAS, INC.

By_____
Danley K. Sheldon, Senior Vice President

THE LIMITED PARTNER:

FERRELLGAS PARTNERS, L.P.

By Ferrellgas, Inc., its General Partner

By_____
Danley K. Sheldon, Senior Vice President

EXECUTION COPY

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

Obligors

FERRELLGAS, L.P.

Guarantor

$160,000,000 9 3/8% SENIOR SECURED NOTES

INDENTURE

Dated as of April 26, 1996

AMERICAN BANK NATIONAL ASSOCIATION

Trustee

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- ---

CROSS-REFERENCE TABLE*

Trust Indenture Act Section		Indenture Section
310	(a)(1)	7.10
	(a)(2)	7.10
	(a)(3)	N.A.
	(a)(4)	N.A.
	(a)(5)	7.10
	(b)	7.10
	(c)	N.A.
311	(a)	7.11
	(b)	7.11
	(c)	N.A.
312	(a)	2.05
	(b)	13.03
	(c)	13.03
313	(a)	7.06
	(b)(1)	10.03
	(b)(2)	7.06
	(c)	7.06;13.02
	(d)	7.06
314	(a)	4.03;13.05
	(b)	10.02
	(c)(1)	13.04
	(c)(2)	13.04
	(c)(3)	N.A.

	(d)	10.03-10.05
	(e)	13.05
	(f)	N.A.
315	(a)	7.01
	(b)	7.05,13.02
	(c)	7.01
	(d)	7.01
	(e)	6.11
316	(a)(last sentence)	2.09
	(a)(1)(A)	6.05
	(a)(1)(B)	6.04
	(a)(2)	N.A.
	(b)	6.07
	(c)	2.13
317	(a)(1)	6.08
	(a)(2)	6.09
	(b)	2.04
318	(a)	13.01
	(b)	N.A.
	(c)	13.01

N.A. means not applicable.

*This Cross-Reference Table is not part of this Indenture.

TABLE OF CONTENTS

EXHIBITS

Exhibit A	FORM OF SENIOR NOTE
Exhibit B	CERTIFICATE TO BE DELIVERED UPON EXCHANGE OR REGISTRATION OF TRANSFER OF SENIOR NOTES
Exhibit C	FORM OF SUBSIDIARY GUARANTEE

INDENTURE dated as of April 26, 1996, among Ferrellgas Partners, L.P., a Delaware limited partnership (the "Partnership"), Ferrellgas Partners Finance Corp., a Delaware corporation ("Finance Corp." and, together with the Partnership, the "Issuers"), Ferrellgas, L.P., a Delaware limited partnership (the "Operating Partnership"), and American Bank National Association, as trustee (the "Trustee").

The Partnership, Finance Corp., the Operating Partnership and the Trustee agree as follows for the benefit of each other and for the equal and ratable benefit of the Holders of the 93/8% Series A Senior Secured Notes due 2006 (the "Series A Senior Notes") and the 93/8% Series B Senior Secured Notes due 2006 (the "Series B Senior Notes" and, together with the Series A Senior Notes, the "Senior Notes"):

ARTICLE 1
DEFINITIONS AND INCORPORATION BY REFERENCE

SECTION 1.01. DEFINITIONS.

"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.

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, "control" (including, with correlative meanings, the terms "controlling," "controlled by" and "under common control with"), as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise; provided, however, that beneficial ownership of 10% or more of the voting securities of a Person shall be deemed to be control.

"Agent" means any Registrar, Paying Agent or co-registrar.

"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 the interest rate of the Senior Notes and annual compounding) 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 the date of the Indenture.

"Bankruptcy Law" means Title 11, U.S. Code or any similar federal or state law for the relief of debtors.

"Board of Directors" means the Board of Directors of the General Partner, or any authorized committee of the Board of Directors.

"Business Day" means any day other than a Legal Holiday.

"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 required to be capitalized on the balance sheet in accordance with GAAP.

"Capital Interests" means any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock, including, without limitation, with respect to partnerships, partnership interests (whether general or limited) and any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, such partnership.

"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 lender party to the Credit Facility or with any 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 having the highest rating obtainable from Moody's Investors Service, Inc. or Standard & Poor's Corporation and in each case maturing within nine months 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).

"Certificated Securities" shall mean Senior Notes that are in the form of the Senior Notes attached hereto as Exhibit A, that do not include the information called for by footnotes 1 and 2 thereof.

"Change of Control" means (i) the sale, lease, conveyance or other disposition of all or substantially all of the assets of the Partnership or the Operating Partnership to any Person or group (as such term is used in Section 13(d)(3) of the Exchange Act) other than James E. Ferrell, the Related Parties and any Person of which James E. Ferrell and the Related Parties beneficially own in the aggregate 51% or more of the voting Capital Interests (or if such Person is a partnership, 51% or more of the general partner interests), (ii) the liquidation or dissolution of the Partnership, the Operating Partnership 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, (iv) the occurrence of any transaction, the result of which is that the General Partner is no longer the sole general partner of the Partnership or the Operating Partnership and (v) the first day on which the Partnership fails to own 100% of the issued and outstanding Equity Interests of Finance Corp.

"Collateral Agent" shall have the meaning set forth in the Pledge Agreement.

"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, in each case, for such period without duplication on a consolidated basis and determined in accordance with GAAP.

"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 the referent 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 the referent 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 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 date of this Indenture in the book value of any asset owned by such Person or a consolidated Subsidiary of such Person, (y) all investments as of such date in unconsolidated Subsidiaries and in Persons that are not Subsidiaries (except, in each case, Permitted Investments), and (z) all unamortized debt discount and expense and unamortized deferred charges as of such date, all of the foregoing determined in accordance with GAAP.

"Corporate Trust Office of the Trustee" shall be at the address of the Trustee specified in Section 13.02 hereof or such other address as to which the Trustee may give notice to the Partnership.

"Credit Facility" means the credit facility under that certain Credit Agreement, dated as of July 5, 1994, as amended, by and among the Operating Partnership, the Insurance Company Subsidiary, the General Partner and Bank of America National Trust and Savings Association, as agent for the financial institutions listed therein, providing for up to $205.0 million of credit borrowings and letters of credit, including any related notes, instruments and agreements executed in connection therewith, and in each case as amended, modified, renewed, refunded, replaced or refinanced from time to time.

"Custodian" means any receiver, trustee, assignee, liquidator or similar official under any Bankruptcy Law.

"Default" means any event that is or with the passage of time or the giving of notice or both would be an Event of Default.

"Depositary" means, with respect to the Senior Notes issuable or issued in whole or in part in global form, the Person specified in Section 2.03 hereof as the Depositary with respect to the Senior Notes, until a successor shall have been appointed and become such pursuant to the applicable provision of this Indenture, and, thereafter, "Depositary" shall mean or include such successor.

"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 the maturity date of the Senior Notes.

"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).

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

"Exchange Offer" means the offer that may be made by the Issuers pursuant to the Registration Rights Agreement to exchange Series B Senior Notes for Series A Senior Notes.

"Existing Indebtedness" means the Fixed Rate Notes, the Floating Rate Notes and up to $5 million in aggregate principal amount of all other Indebtedness of the Partnership and its Subsidiaries (other than under the Credit Facility) in existence on the date of this Indenture, until such amounts are repaid.

"Finance Corp." means the party named as such in this Indenture until a successor replaces it pursuant to this Indenture and thereafter means the successor.

"Finance Corps." means Finance Corp. and the OLP Finance Corp.

"Fixed Charge Coverage Ratio" means with respect to any Person for any period, the ratio of the Consolidated Cash Flow of such Person for such period to the Fixed Charges of such Person for such period. In the event that the reference 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 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 discontinuance of businesses or assets that have been made by the reference 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 discontinuance of businesses or assets had occurred on the first day of the reference period; provided, however, that (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 Partnership's Fixed Charges 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 cost of goods sold) of such acquired business or

asset during the immediately preceding number of full fiscal quarters as in the reference period minus the pro forma expenses that would have been incurred by the Partnership in the operation of such acquired business or asset during such period computed on the basis of (i) personnel expenses for employees retained by the Partnership in the operation of the acquired business or asset and (ii) non-personnel costs and expenses incurred by the Partnership on a per gallon basis in the operation of the Partnership's business at similarly situated Partnership facilities. If the applicable reference period for any calculation of the Fixed Charge Coverage Ratio with respect to the Partnership shall include a portion prior to the date of this Indenture, then such Fixed Charge Coverage Ratio shall be calculated based upon the Consolidated Cash Flow and the Fixed Charges of the General Partner for such portion of the reference period prior to the date of this Indenture and the Consolidated Cash Flow and the Fixed Charges of the Partnership for the remaining portion of the reference period on and after the date of this Indenture, giving pro forma effect, as described in the two foregoing sentences, to all applicable transactions occurring on the date of this Indenture or otherwise.

"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 discount, non-cash interest payments, the interest component of all payments associated with Capital Lease Obligations and net payments (if any) pursuant to Hedging Obligations), (b) commissions, discounts and other fees and charges incurred with respect to letters of credit and bankers' acceptances financing, (c) any interest expense on Indebtedness of another Person that is Guaranteed by such Person or secured by a Lien on assets of such Person, and (d) the product of (i) all cash dividend payments (and non-cash dividend payments in the case of a Person that is a Subsidiary) on any series of preferred stock of such Person, times (ii) a fraction, the numerator of which is one and the denominator of which is one minus the then current combined federal, state and local statutory tax rate of such Person, expressed as a decimal, determined, in each case, on a consolidated basis and in accordance with GAAP.

"Fixed Rate Notes" means the $200 million 10% Fixed Rate Senior Notes due 2001 of the Operating Partnership.

"Floating Rate Notes" means the $50 million Floating Rate Senior Notes due 2001 of the Operating Partnership.

"Flow-Through Acquisition" means an acquisition by the General Partner or its parent from a Person that is not an Affiliate of the General Partner, its parent or the Partnership, of property (real or personal), assets or equipment (whether through the direct purchase of assets or the Capital Interests of the Person owning such assets) in the same line of business as the Partnership and its Subsidiaries are engaged in on the date of this Indenture, which is promptly sold, transferred or contributed by the General Partner or its parent to the Partnership or one of its Subsidiaries.

"GAAP" means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as have been approved by a significant segment of the accounting profession, which are in effect in the United States on the date of this Indenture.

"General Partner" means Ferrellgas, Inc., a Delaware corporation and the sole general partner of the Partnership and the Operating Partnership.

"Global Note" means a Senior Note that contains the paragraph referred to in footnote 1 and the additional schedule referred to in footnote 2 to the form of the Senior Note attached hereto as Exhibit A.

"Government Securities" means direct obligations of, or obligations guaranteed by, the United States of America for the payment of which guarantee or obligations the full faith and credit of the United States of America is pledged.

"Guarantee" means a guarantee (other than by endorsement of negotiable instruments for collection in the ordinary course of business), direct or indirect, in any manner (including, without limitation, letters of credit and reimbursement agreements in respect thereof), of all or any part of any Indebtedness.

"Guarantor" means the Operating Partnership and its successors and assigns, or any other Subsidiary of the Partnership that Guarantees the Issuers' Obligations under the Senior Notes and the Indenture pursuant to a form of Guarantee and a supplemental indenture, in form and substance satisfactory to the Trustee.

"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.

"Holder" means a Person in whose name a Senior Note is registered.

"Indebtedness" means, with respect to any Person, any indebtedness of such Person, whether or not contingent, in respect of borrowed money or evidenced by bonds, notes, debentures or similar instruments or letters of credit (or reimbursement agreements in respect thereof) or representing Capital Lease Obligations or the balance deferred and unpaid of the purchase price of any property or representing any Hedging Obligations, except any such balance that constitutes an accrued expense or trade payable, if and to the extent any of the foregoing indebtedness (other than letters of credit and Hedging Obligations) would appear as a liability upon a balance sheet of such Person prepared in accordance with GAAP, as well as all indebtedness of other Persons secured by a Lien on any asset of such Person (whether or not such indebtedness is assumed by such Person) and, to the extent not otherwise included, the Guarantee by such Person of any Indebtedness of any other Person.

"Indenture" means this Indenture, as amended or supplemented from time to time.

"Insurance Company Subsidiary" means Stratton Insurance Company, a Vermont corporation, a Wholly Owned Subsidiary of the Operating Partnership.

"Insolvency or Liquidation Proceedings" means (i) any insolvency or bankruptcy case or proceeding (including any case under the Bankruptcy Law), or any receivership, liquidation, reorganization or other similar case or proceeding, relative to the Operating Partnership, as such, or to its assets, or (ii) any liquidation, dissolution, reorganization or winding up of the Operating Partnership, whether voluntary or involuntary and whether or not involving insolvency or bankruptcy, or (iii) any assignment for the benefit of creditors or any other marshalling of assets and liabilities of the Operating Partnership.

"Investments" means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the forms of loans (including Guarantees), advances or capital contributions (excluding commission, travel and similar advances to officers and employees made in the ordinary course of business), purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities and all other items that are or would be classified as investments on a balance sheet prepared in accordance with GAAP.

"Issuers" means the parties named as such in this Indenture until a successor replaces any such Issuer pursuant to this Indenture and thereafter means the remaining Issuer and the successor.

"Legal Holiday" means a Saturday, a Sunday or a day on which banking institutions in the City of New York or at a place of payment are authorized by law, regulation or executive order to remain closed. If a payment date is a Legal Holiday at a place of payment, payment may be made at that place on the next succeeding day that is not a Legal Holiday, and no interest shall accrue for the intervening period.

"Lien" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law (including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction).

"Liquidated Damages" means all liquidated damages then owing pursuant to Section 5 of the Registration Rights Agreement.

"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" means the aggregate cash proceeds received by the Partnership 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), 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 and any reserve for adjustment in respect of the sale price of such asset or assets.

"Non-Recourse Subsidiary" means (1) the Insurance Company Subsidiary and (2) any other Person (other than the Operating Partnership and Finance Corps.) that would otherwise be a Subsidiary of the Partnership but is designated as a Non-Recourse Subsidiary in a resolution of the Board of Directors of the General Partner, so long as (a) no portion of the Indebtedness or any other obligation (contingent or otherwise) of such Person (i) is guaranteed by the Partnership or any of its Subsidiaries, (ii) is recourse or obligates the Partnership or any of its Subsidiaries in any way or (iii) subjects any property or asset of the Partnership or any of its Subsidiaries, directly or indirectly, contingently or

otherwise, to satisfaction thereof, (b) neither the Partnership nor any of its Subsidiaries has any contract, agreement, arrangement or understanding or is subject to an obligation of any kind, written or oral, with such Person other than on terms no less favorable to the Partnership and its Subsidiaries than those that might be obtained at the time from persons who are not Affiliates of the Partnership, (c) neither the Partnership 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, and (d) such Person has no more than $1,000 of assets at the time of such designation.

"Note Custodian" means the Trustee, as custodian with respect to the Senior Notes in global form, or any successor entity thereto.

"Obligations" means any principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any Indebtedness.

"Offering" means the offering of the Senior Notes by the Issuers.

"Officer" means, with respect to any Person, the Chairman of the Board, the Chief Executive Officer, the President, the Chief Operating Officer, the Chief Financial Officer, the Treasurer, any Assistant Treasurer, the Controller, the Secretary or any Vice-President of such Person; provided, however, that any reference to an Officer with respect to the Partnership shall mean the respective Officer of the General Partner.

"Officers' Certificate" means a certificate signed on behalf of (i) the General Partner (acting on behalf of the Partnership) by two Officers of the General Partner, one of whom must be the principal executive officer, the principal financial officer, the treasurer or the principal accounting officer of the General Partner, or (ii) Finance Corp. by two Officers of Finance Corp., one of whom must be the principal executive officer, the principal financial officer, the treasurer or the principal accounting officer of Finance Corp., in either case that meets the requirements of Section 13.05 hereof.

"OLP Finance Corp." means Ferrellgas Finance Corp., a Delaware corporation.

"Operating Partnership" means the party named as such in this Indenture until a successor replaces it pursuant to this Indenture and thereafter means the successor.

"Operating Partnership Indenture" means the indenture among the Operating Partnership, OLP Finance Corp. and Norwest Bank, Minnesota, National Association, as trustee, governing the Fixed Rate Notes and the Floating Rate Notes as in existence from time to time.

"Opinion of Counsel" means an opinion from legal counsel who is reasonably acceptable to the Trustee, that meets the requirements of Section 13.05 hereof. The counsel may be an employee of or counsel to the Partnership, the General Partner, Finance Corp., the Operating Partnership, any of their respective Subsidiaries or the Trustee.

"Partnership Agreement" means the Agreement of Limited Partnership of Ferrellgas Partners, L.P., dated as of July 5, 1994, as amended, between Ferrellgas, Inc. and the other parties who are signatories thereto.

"Partnership" means the party named as such in this Indenture until a successor replaces it pursuant to this Indenture and thereafter means the successor.

"Permitted Investments" means (a) any Investments in Cash Equivalents; (b) any Investments in the Partnership or in the Operating Partnership; (c) Investments by the Partnership or any Subsidiary of the Partnership in a Person, if as a result of such Investment such Person is merged, consolidated or amalgamated with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, the Partnership or the Operating Partnership; and (d) other Investments in Non-Recourse Subsidiaries of the Partnership that do not exceed $30 million at any time outstanding; provided that in any transfer of assets to a Non-Recourse Subsidiary by the Partnership or one of its Subsidiaries pursuant to the terms of this Indenture, which assets were acquired in a Flow-Through Acquisition, the dollar amount equal to the purchase price paid or Indebtedness assumed by such Non-Recourse Subsidiary for such assets will not be deemed an Investment by the Partnership or its Subsidiaries in such Non-Recourse Subsidiary for purposes of this definition.

"Permitted Liens" means (a) Liens existing on the date of this Indenture; (b) Liens in favor of the Issuers or Liens to secure Indebtedness of a Subsidiary of the Partnership to the Partnership or a Wholly Owned Subsidiary of the Partnership; (c) Liens on property of a Person existing at the time such Person is merged into or consolidated with the Partnership or any Subsidiary of the Partnership, provided that such Liens were in existence prior to the contemplation of such merger or consolidation and do not extend to any assets other than those of the Person merged into or consolidated with the Partnership; (d) Liens on property existing at the time of acquisition thereof by the Partnership or any Subsidiary of the Partnership, provided that such Liens were in existence prior to the contemplation of such acquisition; (e) Liens on any property or asset acquired by the Partnership or any of its Subsidiaries in favor of the seller of such property or asset and construction mortgages on property, in each case, created within six months after the date of acquisition, construction or improvement of such property or asset by the Partnership or such Subsidiary to secure the purchase price or other obligation of the Partnership or such Subsidiary to the seller of such property or asset or the construction or improvement cost of such property in an amount up to 80% of the total cost of the acquisition, construction or improvement of such property or asset; provided that in each case, such Lien does not extend to any other property or asset of the Partnership and its Subsidiaries; (f) Liens incurred or pledges and deposits made in connection with worker's compensation, unemployment insurance and other social security benefits and Liens to secure the performance of statutory obligations, surety or appeal bonds, performance bonds or other obligations of a like nature, in each case, incurred in the ordinary course of business; (g) Liens for taxes, assessments or governmental charges or claims that are not yet delinquent or that are being contested in good faith by appropriate proceedings promptly instituted and diligently concluded, provided that any reserve or other appropriate provision as shall be required in conformity with GAAP shall have been made therefor; (h) Liens imposed by law, such as mechanics', carriers', warehousemen's, materialmen's, and vendors' Liens, incurred in good faith in the ordinary course of business with respect to amounts not yet delinquent or being contested in good faith by appropriate proceedings if a reserve or other appropriate provisions, if any, as shall be required by GAAP shall have been made therefor; (i) zoning restrictions, easements, licenses, covenants, reservations, restrictions on the use of real property or minor irregularities of title incident thereto that do not, in the aggregate, materially detract from the value of the property or the assets of the Partnership or impair the use of such property in the operation of the business of the Partnership or any of its Subsidiaries; (j) Liens of landlords or mortgages of landlords, arising solely by operation of law, on fixtures and movable property located on premises leased by the Partnership or any of its Subsidiaries in the ordinary course of business; (k) financing statements granted with respect to personal property leased by the Partnership and its Subsidiaries pursuant to leases considered operating leases in accordance with GAAP, provided that such financing statements are granted solely in connection

with such leases; (l) judgment Liens to the extent that such judgments do not cause or constitute a Default or an Event of Default; (m) Liens incurred in the ordinary course of business of the Partnership or any Subsidiary of the Partnership with respect to obligations that do not exceed $5 million in the aggregate in any one time outstanding and that (i) are not incurred in connection with the borrowing of money or the obtaining of advances or credit (other than trade credit in the ordinary course of business) and (ii) do not in the aggregate materially detract from the value of the property or materially impair the use thereof in the operation of business by the Partnership or such Subsidiary; (n) Liens securing Indebtedness incurred to refinance Indebtedness that has been secured by a Lien permitted under this Indenture; 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 4.09 hereof and shall not have a principal amount in excess of the Indebtedness so refinanced; (o) Liens in favor of the Senior Notes created pursuant to the terms of the Pledge Agreement; (p) Liens on Capital Interests of the Operating Partnership securing Indebtedness other than Subordinated Indebtedness that is permitted to be incurred by the Partnership pursuant to the terms of this Indenture; and (q) any extension or renewal, or successive extensions or renewals, in whole or in part, of Liens permitted pursuant to the foregoing clauses (a) through (p); 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.

"Permitted Refinancing Indebtedness" means any Indebtedness of the Partnership or any Subsidiary of the Partnership issued in exchange for, or the net proceeds of which are used to extend, refinance, renew, replace, defease or refund other Indebtedness of the Partnership or any of its Subsidiaries permitted to be incurred under this Indenture (other than Indebtedness under the Credit Facility); 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 (plus the amount of reasonable expenses incurred in connection therewith); (b) such Indebtedness has a Weighted Average Life to Maturity equal to or greater than the Weighted Average Life to Maturity of the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded; (c) such Indebtedness is subordinated in right of payment to the Senior Notes on terms at least as favorable to the Holders of Senior Notes as those, if any, contained in the documentation governing the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded; and (d) such Indebtedness is incurred by the Partnership or the Subsidiary who is the obligor on the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded.

"Permitted Senior Refinancing Indebtedness" means Indebtedness of the Operating Partnership permitted to be incurred pursuant to the terms of this Indenture all the proceeds of which are used to repay or prepay the Senior Operating Partnership Credit Agreement Obligations and other Senior Operating Partnership Indebtedness.

"Person" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, government or any agency or political subdivision thereof.

"Pledge Agreement" means the Pledge and Security Agreement, dated as of April 26, 1996, by and among the Partnership, the General Partner and American Bank National Association, as collateral agent, as such agreement may be amended, modified or supplemented from time to time.

"Pledged Collateral" shall have the meaning set forth in the Pledge Agreement.

"Registration Rights Agreement" means the Registration Rights Agreement, dated as of April 26, 1996, by and among the Issuers, the Guarantor and the other parties named on the signature pages thereof, as such agreement may be amended, modified or supplemented from time to time.

"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 or (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.

"Responsible Officer" when used with respect to the Trustee, means any officer within the Corporate Trust Administration of the Trustee (or any successor group of the Trustee) or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

"Restricted Investment" means an Investment other than a Permitted Investment.

"SEC" means the Securities and Exchange Commission.

"Securities Act" means the Securities Act of 1933, as amended.

"Senior Agent" means Bank of America National Trust and Savings Association, as agent or a lender under the Senior Operating Partnership Credit Agreement, or any successor agent thereunder or under any agreement governing Permitted Senior Refinancing Indebtedness or, in the absence of such agent, the lender holding all or the greatest portion of the Indebtedness thereunder.

"Senior Operating Partnership Credit Agreement" means, collectively, the Credit Agreement dated as of July 5, 1994, as amended by First Amendment to Credit Agreement dated as of July 21, 1995 and a Second Amendment to Credit Agreement dated as of October 20, 1995, in each case among the Operating Partnership, Stratton Insurance Company, Inc., Ferrellgas, Inc., the lenders referred to therein, Bank of America National Trust and Savings Association, as agent for such lenders, and The First National Bank of Boston and Nationsbank of Texas, N.A., as co-agents, and the other Loan Documents referred to in such credit agreement, as all such agreements may be amended, restated, supplemented or otherwise modified from time to time, and includes any agreement extending the maturity of, or restructuring all or any portion of the Indebtedness of the Operating Partnership under such agreements.

"Senior Operating Partnership Credit Agreement Notes" means the Operating Partnership's promissory notes issued pursuant to the Senior Operating Partnership Credit Agreement.

"Senior Operating Partnership Credit Agreement Obligations" means (i) the "Obligations" as defined in the Senior Operating Partnership Credit Agreement and (ii) all Permitted Senior Refinancing Indebtedness.

"Senior Operating Partnership Indebtedness" means all Indebtedness (other than Subordinated Indebtedness) and other obligations specified below payable directly or indirectly by the Operating Partnership from time to time outstanding, whether now existing or hereafter arising, fixed or contingent, due or not due, liquidated or not liquidated, determined or undetermined:

(1) the principal of and interest on all loans, reimbursement obligations and other extensions of credit under the Senior Operating Partnership Credit Agreement, the Senior Operating Partnership Credit Agreement Notes and any other agreement or instrument providing for, evidencing or securing any Permitted Senior Refinancing Indebtedness or any other loans, reimbursement obligations or extensions of credit by the lender or lenders thereunder (including in each case any amendment, renewal, supplement, extension, refinancing, restructuring, refunding or other modification thereof) and all premiums, expenses, fees, reimbursements, indemnities and other amounts owing by the Operating Partnership pursuant to the Senior Operating Partnership Credit Agreement and any such other agreement or instrument;

(2) all Indebtedness represented by the existing Fixed Rate Notes and Floating Rate Notes; and

(3) all Indebtedness (other than Subordinated Indebtedness) of the Operating Partnership permitted to be incurred under the Credit Facility and the Operating Partnership Indenture, as each is in effect from time to time and as the same may be extended, refinanced, renewed, replaced, defeased or refunded.

All interest accrued on any Senior Operating Partnership Indebtedness, in accordance with and at the contract rate specified in the agreement or instrument creating, evidencing or governing such Senior Operating Partnership Indebtedness, shall constitute Senior Operating Partnership Indebtedness for periods both before and after the commencement of any Insolvency or Liquidation Proceeding, even if the claim for such interest is not allowed pursuant to applicable law. To the extent any payment of Senior Operating Partnership Indebtedness (whether by or on behalf of the Issuers or the Operating Partnership, as proceeds of security or enforcement of any right of setoff or otherwise) is declared to be fraudulent or preferential, set aside or required to be paid to a trustee, receiver or other similar party under any bankruptcy, insolvency, receivership or similar law, then if such payment is recovered by, or paid over to, such trustee, receiver or other similar party, the Senior Operating Partnership Indebtedness or part thereof originally intended to be satisfied shall be deemed to be reinstated and outstanding as if such payment had not occurred. Notwithstanding anything to the contrary in the foregoing, Senior Operating Partnership Indebtedness shall not include (i) any liability for federal, state, local or other taxes owed or owing by the Operating Partnership (other than indemnities for taxes constituting Senior Operating Partnership Credit Agreement Obligations), (ii) any Indebtedness of the Operating Partnership to any of its Subsidiaries or other Affiliates, (iii) any trade payables, (iv) any Indebtedness that is incurred in violation of this Indenture, (v) Indebtedness which, when incurred and without respect to any election under Section 1111(b) of Title 11, United States Code, is without recourse to the Operating Partnership, (vi) any Indebtedness, Guarantee or obligation of the Operating Partnership which is contractually subordinate in right of payment to any other Indebtedness, Guarantee or obligation of the Operating Partnership and (vii) Capital Interests.

"Significant Subsidiary" means any Subsidiary of the Partnership that would be a "significant subsidiary" as defined in Article 1, Rule 1-02 of Regulation S-X, promulgated pursuant to the Securities Act, as such Regulation is in effect on the date hereof.

"Subordinated Indebtedness" means any Indebtedness of the Partnership or any of its Subsidiaries which is expressly by its terms subordinated in right of payment to any other Indebtedness.

"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 partnership, more than 50% of the partners' Capital Interests (considering all partners' Capital Interests as a single class), is at the time owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof. Notwithstanding the foregoing, any Subsidiary of the Partnership that is designated a Non-Recourse Subsidiary pursuant to the definition thereof shall not thereafter be deemed a Subsidiary of the Partnership.

"Subsidiary Guarantee" means, from and after the Subsidiary Guarantee Effectiveness Date, the Guarantee by the Operating Partnership of the Obligations under the Indenture and the Senior Notes.

"Subsidiary Guarantee Effectiveness Date" means the first date upon which the Operating Partnership is permitted pursuant to the Fixed Charge Coverage Ratio tests contained in the Operating Partnership Indenture and the Credit Facility and pursuant to the terms of any other Senior Operating Partnership Indebtedness to Guarantee, on a senior subordinated basis as and to the extent set forth in Article 11 of this Indenture, the Issuers' total payment Obligations under all of the then-outstanding Senior Notes.

"Subsidiary Guarantee Obligations" means any and all obligations of the Operating Partnership after the Subsidiary Guarantee Effectiveness Date for the payment of principal, premium, if any, interest and Liquidated Damages, if any, on the Senior Notes and the performance by it of its other agreements, covenants and undertakings under or in respect of this Indenture, the Senior Notes and the Subsidiary Guarantee.

"TIA" means the Trust Indenture Act of 1939 (15 U.S.C. ss.ss. 77aaa-77bbbb) as in effect on the date on which this Indenture is qualified under the TIA.

"Transfer Restricted Securities" means securities that bear or are required to bear the legend set forth in Section 2.06 hereof.

"Trustee" means the party named as such above until a successor replaces it in accordance with the applicable provisions of this Indenture and thereafter means the successor serving hereunder.

"Weighted Average Life to Maturity" means, when applied to any Indebtedness at any date, the number of years obtained by dividing (a) the sum of the products obtained by multiplying (x) the amount of each then remaining installment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect thereof, by (y) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment, by (b) the then outstanding principal amount of such Indebtedness; provided, however, that with respect to any revolving Indebtedness, the foregoing calculation of Weighted Average Life to Maturity shall be determined based upon the total available commitments and the required reductions of commitments in lieu of the outstanding principal amount and the required payments of principal, respectively.

"Wholly Owned Subsidiary" of any Person means a Subsidiary of such Person all of the outstanding Capital Interests or other ownership interests or, in the case of a limited partnership, all of the partners' Capital Interests (other than up to approximately 1% general partner interest), of which (other than directors' qualifying shares) shall at the time be owned by such Person or by one or more Wholly Owned Subsidiaries of such Person or by such Person and one or more Wholly Owned Subsidiaries of such Person.

SECTION 1.02. OTHER DEFINITIONS.

Term	Defined in Section
"Affiliate Transaction"	4.11
"Asset Sale"	4.10
"Asset Sale Offer"	3.09
"Change of Control Offer"	4.14
"Change of Control Payment"	4.14
"Change of Control Payment Date"	4.14
"Closing Date"	2.01
"Covenant Defeasance"	8.03
"Commencement Date"	3.09
"Event of Default"	6.01
"Excess Proceeds"	4.10
"Global Note Holder"	2.01
"incur"	4.09
"Incurrence Date"	4.09
"Legal Defeasance"	8.02
"Offer Amount"	3.09
"Offer Period"	3.09
"Paying Agent"	2.03
"Payment Default"	6.01
"Purchase Date"	3.09
"qualified institutional buyer"	2.06
"Registrar"	2.03
"Restricted Payments"	4.07

SECTION 1.03. INCORPORATION BY REFERENCE OF TRUST INDENTURE ACT.

Whenever this Indenture refers to a provision of the TIA, the provision is incorporated by reference in and made a part of this Indenture, other than those provisions of the TIA that may be excluded herein, which provision shall be excluded to the extent specifically excluded in this Indenture.

The following TIA terms used in this Indenture have the following meanings:

"indenture securities" means the Senior Notes and the Subsidiary Guarantee;

"indenture security holder" means a Holder of a Senior Note;

"indenture to be qualified" means this Indenture;

"indenture trustee" or "institutional trustee" means the Trustee;

"obligor" on the Senior Notes means the Issuers, the Guarantor and any successor obligor upon the Senior Notes or the Subsidiary Guarantee, as the case may be.

All other terms used in this Indenture that are defined by the TIA, defined by TIA reference to another statute or defined by a rule or regulation promulgated by the SEC under the TIA have the meanings so assigned to them.

SECTION 1.04. RULES OF CONSTRUCTION.

Unless the context otherwise requires:

(1) a term has the meaning assigned to it;

(2) an accounting term not otherwise defined has the meaning assigned to it in accordance with GAAP;

(3) "or" is not exclusive;

(4) words in the singular include the plural, and in the plural include the singular;

(5) provisions apply to successive events and transactions; and

(6) references to sections of or rules under the Securities Act or the Exchange Act shall be deemed to include substitute, replacement or successor sections or rules adopted by the SEC from time to time.

ARTICLE 2
THE SENIOR NOTES

SECTION 2.01. FORM AND DATING.

The Senior Notes and the Trustee's certificate of authentication shall be substantially in the form of Exhibit A which is part of this Indenture and shall be in a principal amount of no greater than $160,000,000. The Senior Notes may have notations, legends or endorsements required by law, stock exchange rule or usage which will be provided by the Issuers. Each Senior Note shall be dated the date of its authentication. The Senior Notes shall be in denominations of $1,000 and integral multiples thereof.

The Senior Notes shall be issued in the form of one Global Note. The Global Note shall be deposited on the date of the closing of the sale of the Senior Notes offered pursuant to the Offering (the "Closing Date") with, or on behalf of the Depositary (such nominee being referred to herein as the "Global Note Holder"). Except as set forth in Section 2.06, the Global Note may be transferred, in whole and not in part, only to another nominee of the Depositary or to a successor of the Depositary or its nominee.

The terms and provisions contained in the Senior Notes annexed hereto as Exhibit A, and the Subsidiary Guarantee annexed hereto as Exhibit C shall constitute, and are hereby expressly made, a part of this Indenture. To the extent applicable, the Issuers, the Operating Partnership and the Trustee, by their execution and delivery of this Indenture, expressly agree to such terms and provisions and to be bound thereby.

Senior Notes issued in global form shall be substantially in the form of Exhibit A attached hereto (including the text referred to in footnotes 1 and 2 thereto). Senior Notes issued in certificated form shall be substantially in the form of Exhibit A attached hereto (but without including the text referred to in footnotes 1 and 2 thereto). The Global Note shall represent such of the outstanding Senior Notes as shall be specified therein and each shall provide that it shall represent the aggregate amount of outstanding Senior Notes from time to time endorsed thereon and that the aggregate amount of outstanding Senior Notes represented thereby may from time to time be reduced or increased, as appropriate, to reflect exchanges and redemptions. Any endorsement of a Global Note to reflect the amount of any increase or decrease in the amount of outstanding Senior Notes represented thereby shall be made by the Trustee or the Note Custodian, at the direction of the Trustee, in accordance with instructions given by the Holder thereof as required by Section 2.06 hereof.

SECTION 2.02. EXECUTION AND AUTHENTICATION.

At least one Officer of each of the General Partner (in the case of the Partnership) and Finance Corp. shall sign the Senior Notes for the Issuers by manual or facsimile signature. The seal of each Issuer shall be reproduced on the Senior Notes and may be in facsimile form.

If an Officer of the General Partner or Finance Corp. whose signature is on a Senior Note no longer holds that office at the time the Senior Note is authenticated, the Senior Note shall nevertheless be valid.

A Senior Note shall not be valid until authenticated by the manual signature of the Trustee. The signature of the Trustee shall be conclusive evidence that the Senior Note has been authenticated under this Indenture. The form of Trustee's certificate of authentication to be borne by the Senior Notes shall be substantially as set forth in Exhibit A hereto.

The Trustee shall, upon a written order of the Issuers signed by an Officer of the General Partner and Finance Corp., authenticate Senior Notes for original issue up to an aggregate principal amount stated in paragraph 4 of the Senior Notes. The aggregate principal amount of Senior Notes outstanding at any time shall not exceed the amount set forth herein except as provided in Section 2.07 hereof.

The Trustee may appoint an authenticating agent acceptable to the Issuers to authenticate Senior Notes. Unless limited by the terms of such appointment, an authenticating agent may authenticate Senior Notes whenever the Trustee may do so. Each reference in this Indenture to authentication by the Trustee includes authentication by such agent. An authenticating agent has the same rights as an Agent to deal with the Partnership or Finance Corp. or an Affiliate of the Partnership or Finance Corp.

SECTION 2.03. REGISTRAR AND PAYING AGENT.

The Issuers shall maintain (i) an office or agency where Senior Notes may be presented for registration of transfer or for exchange (including any co-registrar, the "Registrar") and (ii) an office or agency where Senior Notes may be presented for payment ("Paying Agent"). The Registrar shall keep a register of the Senior Notes and of their transfer and exchange. The Issuers may appoint one or more co-registrars and one or more additional paying agents. The term "Paying Agent" includes any additional paying agent. The Issuers may change any Paying Agent, Registrar or co-registrar without prior notice to any Holder of a Senior Note. The Issuers shall notify the Trustee and the Trustee shall notify the Holders of the Senior Notes of the name and address of any Agent not a party to this Indenture. The

Partnership, Finance Corp. or the Guarantor may act as Paying Agent, Registrar or co-registrar. The Issuers shall enter into an appropriate agency agreement with any Agent not a party to this Indenture, which shall be subject to any obligations imposed by the provisions of the TIA. The agreement shall implement the provisions of this Indenture that relate to such Agent. The Issuers shall notify the Trustee of the name and address of any such Agent. If the Issuers fail to maintain a Registrar or Paying Agent, or fails to give the foregoing notice, the Trustee shall act as such, and shall be entitled to appropriate compensation in accordance with Section 7.07 hereof.

The Issuers initially appoint The Depository Trust Company ("DTC") to act as Depositary with respect to the Global Note.

The Issuers initially appoint the Trustee as Registrar, Paying Agent and agent for service of notices and demands in connection with the Global Note.

SECTION 2.04. PAYING AGENT TO HOLD MONEY IN TRUST.

The Issuers shall require each Paying Agent other than the Trustee to agree in writing that the Paying Agent shall hold in trust for the benefit of the Holders of the Senior Notes or the Trustee all money held by the Paying Agent for the payment of principal of, premium, if any, and interest, including Liquidated Damages, if any, on the Senior Notes, and shall notify the Trustee of any Default by the Issuers or the Guarantor in making any such payment. While any such Default continues, the Trustee may require a Paying Agent to pay all money held by it to the Trustee. The Issuers at any time may require a Paying Agent to pay all money held by it to the Trustee. Upon payment over to the Trustee, the Paying Agent (if other than the Partnership, Finance Corp. or the Guarantor) shall have no further liability for the money delivered to the Trustee. If the Partnership, Finance Corp. or the Guarantor acts as Paying Agent, it shall segregate and hold in a separate trust fund for the benefit of the Holders of the Senior Notes all money held by it as Paying Agent. Upon any bankruptcy or reorganization proceeding relating to the Partnership, Finance Corp. or the Guarantor, the Trustee shall serve as Paying Agent for the Senior Notes.

SECTION 2.05. LISTS OF HOLDERS OF THE SENIOR NOTES.

The Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of Holders of the Senior Notes and shall otherwise comply with TIA ss. 312(a). If the Trustee is not the Registrar, the Issuers and/or the Guarantor shall furnish to the Trustee at least seven Business Days before each interest payment date and at such other times as the Trustee may request in writing a list in such form and as of such date as the Trustee may reasonably require of the names and addresses of Holders of the Senior Notes, including the aggregate principal amount of the Senior Notes held by each thereof, and the Issuers and the Guarantor shall otherwise comply with TIA ss. 312(a).

SECTION 2.06. TRANSFER AND EXCHANGE.

(a) Transfer and Exchange of Certificated Securities. When Certificated Securities are presented by a Holder to the Registrar with a request:

(x) to register the transfer of the Certificated Securities; or

(y) to exchange such Certificated Securities for an equal principal amount of Certificated Securities of other authorized denominations, the Registrar shall register the transfer or make the exchange as requested if its requirements for such transactions are met; provided, however, that the Certificated Securities presented or surrendered for register of transfer or exchange:

(i) shall be duly endorsed or accompanied by a written instruction of transfer in form satisfactory to the Registrar duly executed by such Holder or by his attorney, duly authorized in writing; and

(ii) in the case of a Certificated Security that is a Transfer Restricted Security, such request shall be accompanied by the following additional information and documents, as applicable:

(A) if such Transfer Restricted Security is being delivered to the Registrar by a Holder for registration in the name of such Holder, without transfer, a certification to that effect from such Holder (in substantially the form of Exhibit B hereto);

(B) if such Transfer Restricted Security is being transferred to a "qualified institutional buyer" (as defined in Rule 144A under the Securities Act) in accordance with Rule 144A under the Securities Act or pursuant to an exemption from registration in accordance with Rule 144 or Rule 904 under the Securities Act or pursuant to an effective registration statement under the Securities Act, a certification to that effect from such Holder (in substantially the form of Exhibit B hereto); or

(C) if such Transfer Restricted Security is being transferred in reliance on another exemption from the registration requirements of the Securities Act, a certification to that effect from such Holder (in substantially the form of Exhibit B hereto) and an Opinion of Counsel from such Holder or the transferee reasonably acceptable to the Partnership and to the Registrar to the effect that such transfer is in compliance with the Securities Act.

(b) Transfer of a Certificated Security for a Beneficial Interest in the Global Note. A Certificated Security may not be exchanged for a beneficial interest in a Global Note except upon satisfaction of the requirements set forth below. Upon receipt by the Trustee of a Certificated Security, duly endorsed or accompanied by appropriate instruments of transfer, in form satisfactory to the Trustee, together with:

(i) if such Certificated Security is a Transfer Restricted Security, a certification from the Holder thereof (in substantially the form of Exhibit B hereto) to the effect that such Certificated Security is being transferred by such Holder to a "qualified institutional buyer" (as defined in Rule 144A under the Securities Act) in accordance with Rule 144A under the Securities Act; and

(ii) whether or not such Certificated Security is a Transfer Restricted Security, written instructions from the Holder thereof directing the Trustee to make, or to direct the Note

Custodian to make, an endorsement on the Global Note to reflect an increase in the aggregate principal amount of the Senior Notes represented by the Global Note,

in which case the Trustee shall cancel such Certificated Security in accordance with Section 2.11 hereof and cause, or direct the Note Custodian to cause, in accordance with the standing instructions and procedures existing between the Depositary and the Note Custodian, the aggregate principal amount of Senior Notes represented by the Global Note to be increased accordingly. If no Global Note is then outstanding, the Issuers shall issue and, upon receipt of an authentication order in accordance with Section 2.02 hereof, the Trustee shall authenticate a new Global Note in the appropriate principal amount.

(c) Transfer and Exchange of Global Note. The transfer and exchange of the Global Note or beneficial interests therein shall be effected through the Depositary, in accordance with this Indenture and the procedures of the Depositary therefor, which shall include restrictions on transfer comparable to those set forth herein to the extent required by the Securities Act.

(d) Transfer of a Beneficial Interest in the Global Note for a Certificated Security.

(i) Any Person having a beneficial interest in a Global Note may upon request exchange such beneficial interest for a Certificated Security. Upon receipt by the Trustee of written instructions or such other form of instructions as is customary for the Depositary, from the Depositary or its nominee on behalf of any Person having a beneficial interest in a Global Note, and, in the case of a Transfer Restricted Security, the following additional information and documents (all of which may be submitted by facsimile):

(A) if such beneficial interest is being transferred to the Person designated by the Depositary as being the beneficial owner, a certification to that effect from such Person (in substantially the form of Exhibit B hereto);

(B) if such beneficial interest is being transferred to a "qualified institutional buyer" (as defined in Rule 144A under the Securities Act) in accordance with Rule 144A under the Securities Act or pursuant to an exemption from registration in accordance with Rule 144 or Rule 904 under the Securities Act or pursuant to an effective registration statement under the Securities Act, a certification to that effect from the transferor (in substantially the form of Exhibit B hereto); or

(C) if such beneficial interest is being transferred in reliance on another exemption from the registration requirements of the Securities Act, a certification to that effect from the transferor (in substantially the form of Exhibit B hereto) and an Opinion of Counsel from the transferee or transferor reasonably acceptable to the Partnership and to the Registrar to the effect that such transfer is in compliance with the Securities Act,

in which case the Trustee or the Note Custodian, at the direction of the Trustee, shall, in accordance with the standing instructions and procedures existing between the Depositary and the Note Custodian, cause the aggregate principal amount of the Global Note to be reduced accordingly and, following such reduction, the Partnership shall execute and, upon receipt of an authentication order in accordance with Section

2.02 hereof, the Trustee shall authenticate and deliver to the transferee a Certificated Security in the appropriate principal amount.

(ii) Certificated Securities issued in exchange for a beneficial interest in a Global Note pursuant to this Section 2.06(d) shall be registered in such names and in such authorized denominations as the Depositary, pursuant to instructions from its direct or indirect participants or otherwise, shall instruct the Trustee. The Trustee shall deliver such Certificated Securities to the Persons in whose names such Senior Notes are so registered.

(e) Restrictions on Transfer and Exchange of Global Note. Notwithstanding any other provision of this Indenture (other than the provisions set forth in subsection (f) of this Section 2.06), a Global Note may not be transferred as a whole except by the Depositary to a nominee of the Depositary or by a nominee of the Depositary to the Depositary or another nominee of the Depositary or by the Depositary or any such nominee to a successor Depositary or a nominee of such successor Depositary.

(f) Authentication of Certificated Securities in Absence of Depositary. If at any time:

(i) the Depositary for the Senior Notes notifies the Partnership that the Depositary is unwilling or unable to continue as Depositary for a Global Note and a successor Depositary for such Global Note is not appointed by the Partnership within 90 days after delivery of such notice; or

(ii) the Partnership, at its sole discretion, notifies the Trustee in writing that it elects to cause the issuance of Certificated Securities under this Indenture,

then the Issuers shall execute, and the Trustee shall, upon receipt of an authentication order in accordance with Section 2.02 hereof, authenticate and deliver, Certificated Securities in an aggregate principal amount equal to the principal amount of such Global Note in exchange for such Global Note.

(g) Legends.

(i) Except as permitted by the following paragraphs (ii) and (iii), each Senior Note certificate evidencing the Global Notes and Certificated Securities (and all Senior Notes issued in exchange therefor or substitution thereof) shall bear a legend in substantially the following form:

"THE SENIOR NOTE (OR ITS PREDECESSOR) EVIDENCED HEREBY WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER SECTION 5 OF THE UNITED STATES SECURITIES ACT OF 1933 (THE "SECURITIES ACT"), AND THE SENIOR NOTE EVIDENCED HEREBY MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THE SENIOR NOTE EVIDENCED HEREBY IS HEREBY NOTIFIED THAT THE SELLER MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER. THE HOLDER OF THE SENIOR NOTE EVIDENCED HEREBY AGREES FOR THE BENEFIT OF THE ISSUERS THAT (A) SUCH SENIOR NOTE MAY BE RESOLD,

PLEDGED OR OTHERWISE TRANSFERRED, ONLY (1)(a) INSIDE THE UNITED STATES TO A PERSON WHO THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (b) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144 UNDER THE SECURITIES ACT, (c) OUTSIDE THE UNITED STATES TO A FOREIGN PERSON IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 904 UNDER THE SECURITIES ACT OR (d) IN ACCORDANCE WITH ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT (AND BASED UPON AN OPINION OF COUNSEL IF THE ISSUERS SO REQUEST), (2) TO THE ISSUERS OR (3) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT AND, IN EACH CASE, IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER APPLICABLE JURISDICTION AND (B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER FROM IT OF THE SENIOR NOTE EVIDENCED HEREBY OF THE RESALE RESTRICTIONS SET FORTH IN (A) ABOVE."

(ii) Upon any sale or transfer of a Transfer Restricted Security (including any Transfer Restricted Security represented by a Global Note) pursuant to Rule 144 under the Securities Act or pursuant to an effective registration statement under the Securities Act:

(A) in the case of any Transfer Restricted Security that is a Certificated Security, the Registrar shall permit the Holder thereof to exchange such Transfer Restricted Security for a Certificated Security that does not bear the legend set forth in (i) above and rescind any restriction on the transfer of such Transfer Restricted Security; and

(B) in the case of any Transfer Restricted Security represented by a Global Note, such Transfer Restricted Security shall not be required to bear the legend set forth in (i) above, but shall continue to be subject to the provisions of Section 2.06(c) hereof; provided, however, that with respect to any request for an exchange of a Transfer Restricted Security that is represented by a Global Note for a Certificated Security that does not bear the legend set forth in (i) above, which request is made in reliance upon Rule 144, the Holder thereof shall certify in writing to the Registrar that such request is being made pursuant to Rule 144 (such certification to be substantially in the form of Exhibit B hereto).

(iii) Notwithstanding the foregoing, upon consummation of the Exchange Offer, the Issuers shall issue and, upon receipt of an authentication order in accordance with Section 2.02 hereof, the Trustee shall authenticate Series B Senior Notes in exchange for Series A Senior Notes accepted for exchange in the Exchange Offer, which Series B Senior Notes shall not bear the legend set forth in (i) above, and the Registrar shall rescind any restriction on the transfer of such Series A Senior Notes, in each case unless the Holder of such Series A Senior Notes is either (A) a broker-dealer, (B) a Person participating in the distribution of the Series A Senior Notes or (C) a Person who is an affiliate (as defined in Rule 144A) of the Issuers.

(h) Cancellation and/or Adjustment of Global Note. At such time as all beneficial interests in a Global Note have been exchanged for Certificated Securities, redeemed, repurchased or cancelled, such Global Note shall be returned to or retained and cancelled by the Trustee in accordance with Section 2.11 hereof. At any time prior to such cancellation, if any beneficial interest in a Global Note is exchanged for Certificated Securities, redeemed, repurchased or cancelled, the principal amount of Senior Notes represented by such Global Note shall be reduced accordingly and an endorsement shall be made on such Global Note, by the Trustee or the Note Custodian, at the direction of the Trustee, to reflect such reduction.

(i) General Provisions Relating to Transfers and Exchanges.

(i) To permit registrations of transfers and exchanges, the Issuers shall execute and the Trustee shall authenticate Certificated Securities and the Global Note at the Registrar's request.

(ii) No service charge shall be made to a Holder for any registration of transfer or exchange, but the Issuers may require payment of a sum sufficient to cover any transfer tax or similar governmental charge payable in connection therewith (other than any such transfer taxes or similar governmental charge payable upon exchange or transfer pursuant to Sections 3.07, 4.10, 4.14 and 9.05 hereof).

(iii) The Registrar shall not be required to register the transfer of or exchange any Senior Note selected for redemption in whole or in part, except the unredeemed portion of any Senior Note being redeemed in part.

(iv) All Certificated Securities and the Global Note issued upon any registration of transfer or exchange of Certificated Securities or the Global Note shall be the valid obligations of the Issuers, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Certificated Securities or the Global Note surrendered upon such registration of transfer or exchange.

(v) The Issuers shall not be required:

(A) to issue, to register the transfer of or to exchange Senior Notes during a period beginning at the opening of business 15 days before the day of any selection of Senior Notes for redemption under Section 3.02 hereof and ending at the close of business on the day of selection; or

(B) to register the transfer of or to exchange any Senior Note so selected for redemption in whole or in part, except the unredeemed portion of any Senior Note being redeemed in part; or

(C) to register the transfer of or to exchange a Senior Note between a record date and the next succeeding interest payment date.

(vi) Prior to due presentment for the registration of a transfer of any Senior Note, the Trustee, any Agent and the Issuers may deem and treat the Person in whose name any Senior Note is registered as the absolute owner of such Senior Note for the purpose of receiving payment of principal of and interest on such Senior Notes, and

neither the Trustee, any Agent nor the Issuers shall be affected by notice to the contrary.

(vii) The Trustee shall authenticate Certificated Securities and the Global Notes in accordance with the provisions of Section 2.02 hereof.

SECTION 2.07. REPLACEMENT SENIOR NOTES.

If any mutilated Senior Note is surrendered to the Trustee, or the Issuers and the Trustee receive evidence to their satisfaction of the destruction, loss or theft of any Senior Note, the Issuers shall issue and the Trustee, upon the written order of the Issuers signed by (i) two Officers of the General Partner and (ii) two Officers of Finance Corp., shall authenticate a replacement Senior Note if the Trustee's requirements for replacements of Senior Notes are met. If required by the Trustee, the Issuers or the Guarantor, an indemnity bond must be supplied by the Holder that is sufficient in the judgment of the Trustee, the Issuers and the Guarantor to protect the Issuers, the Guarantor, the Trustee, any Agent or any authenticating agent from any loss which any of them may suffer if a Senior Note is replaced. Each of the Partnership, Finance Corp, the Guarantor and the Trustee may charge for its expenses in replacing a Senior Note.

Every replacement Senior Note is an additional obligation of the Issuers and the Guarantor and shall be entitled to all of the benefits of this Indenture equally and ratably with all other Senior Notes duly issued hereunder.

SECTION 2.08. OUTSTANDING SENIOR NOTES.

The Senior Notes outstanding at any time are all the Senior Notes authenticated by the Trustee except for those cancelled by it, those delivered to it for cancellation, and those described in this Section 2.08 as not outstanding. If a Senior Note is replaced pursuant to Section 2.07 hereof, it ceases to be outstanding unless the Trustee receives proof satisfactory to it that the replaced Senior Note is held by a bona fide purchaser. If the principal amount of any Senior Note is considered paid under Section 4.01 hereof, it ceases to be outstanding and interest on it ceases to accrue. Subject to Section 2.09 hereof, a Senior Note does not cease to be outstanding because the Partnership, Finance Corp., the Guarantor, a Subsidiary of the Partnership, Finance Corp. or the Guarantor or an Affiliate of the Partnership, Finance Corp. or the Guarantor holds the Senior Note.

SECTION 2.09. TREASURY SENIOR NOTES.

In determining whether the Holders of the required principal amount of Senior Notes have concurred in any direction, waiver or consent, Senior Notes owned by the Partnership, Finance Corp., the Guarantor, any of their respective Subsidiaries or any Affiliate of the Partnership, Finance Corp. or the Guarantor shall be considered as though not outstanding, except that for purposes of determining whether the Trustee shall be protected in relying on any such direction, waiver or consent, only Senior Notes which a Responsible Officer knows to be so owned shall be so considered. Notwithstanding the foregoing, Senior Notes that are to be acquired by the Partnership, Finance Corp., the Guarantor, any Subsidiary of the Partnership, Finance Corp. or the Guarantor or an Affiliate of the Partnership, Finance Corp. or the Guarantor pursuant to an exchange offer, tender offer or other agreement shall not be deemed to be owned by the Partnership, Finance Corp., the Guarantor, a Subsidiary of the Partnership, Finance Corp. or the Guarantor or an Affiliate of the Partnership, Finance Corp. or the Guarantor until legal title to the Senior Notes passes to the Partnership, Finance Corp., the Guarantor, Subsidiary of the

Partnership, Finance Corp. or the Guarantor or Affiliate of the Partnership, Finance Corp. or the Guarantor, as the case may be.

SECTION 2.10. TEMPORARY SENIOR NOTES.

Until definitive Senior Notes are ready for delivery, the Issuers may prepare and the Trustee shall authenticate temporary Senior Notes. Temporary Senior Notes shall be substantially in the form of definitive Senior Notes but may have variations that the Issuers and the Trustee consider appropriate for temporary Senior Notes. Without unreasonable delay, the Issuers shall prepare and the Trustee, upon receipt of the written order of the Issuers signed by (i) two Officers of the General Partner and (ii) two Officers of Finance Corp., shall authenticate definitive Senior Notes in exchange for temporary Senior Notes. Until such exchange, temporary Senior Notes shall be entitled to the same rights, benefits and privileges as definitive Senior Notes.

SECTION 2.11. CANCELLATION.

The Issuers at any time may deliver Senior Notes to the Trustee for cancellation. The Registrar and Paying Agent shall forward to the Trustee any Senior Notes surrendered to them for registration of transfer, exchange or payment. The Trustee shall cancel all Senior Notes surrendered for registration of transfer, exchange, payment, replacement or cancellation and shall destroy cancelled Senior Notes (subject to the record retention requirement of the Exchange Act), unless the Issuers direct cancelled Senior Notes to be returned to them. The Issuers may not issue new Senior Notes to replace Senior Notes that they have redeemed or paid or that have been delivered to the Trustee for cancellation. All cancelled Senior Notes held by the Trustee shall be destroyed and certification of their destruction delivered to the Issuers, unless by a written order, signed by (i) two Officers of the General Partner and (ii) two Officers of Finance Corp., the Issuers shall direct that cancelled Senior Notes be returned to them.

SECTION 2.12. DEFAULTED INTEREST.

If the Issuers or the Guarantor defaults in a payment of interest on the Senior Notes, the Issuers or the Guarantor (to the extent of its obligations under the Subsidiary Guarantee) shall pay the defaulted interest in any lawful manner plus, to the extent lawful, interest payable on the defaulted interest, to the Persons who are Holders of the Senior Notes on a subsequent special record date, which date shall be at the earliest practicable date but in all events at least five Business Days prior to the payment date, in each case at the rate provided in the Senior Notes and in Section 4.01 hereof. The Issuers shall fix or cause to be fixed each such special record date and payment date, and shall, promptly thereafter, notify the Trustee of any such date. At least 15 days before the special record date, the Issuers (or the Trustee, in the name of and at the expense of the Issuers) shall mail to Holders of the Senior Notes a notice that states the special record date, the related payment date and the amount of such interest to be paid.

SECTION 2.13. RECORD DATE.

The record date for purposes of determining the identity of Holders of the Senior Notes entitled to vote or consent to any action by vote or consent authorized or permitted under this Indenture shall be determined as provided for in TIA ss. 316(c).

SECTION 2.14. CUSIP NUMBER.

The Issuers in issuing the Senior Notes may use a "CUSIP" number and, if they do so, the Trustee shall use the CUSIP number in notices of redemption or exchange as a convenience to Holders; provided that any such notice may state that no representation is made as to the correctness or accuracy of the CUSIP number printed in the notice or on the Senior Notes and that reliance may be placed only on the other identification numbers printed on the Senior Notes. The Issuers will promptly notify the Trustee of any change in the CUSIP number.

ARTICLE 3
REDEMPTION AND OFFERS TO PURCHASE

SECTION 3.01. NOTICES TO TRUSTEE.

If the Issuers elect to redeem Senior Notes pursuant to the optional redemption provisions of Section 3.07 hereof, they shall furnish to the Trustee, at least 30 days but not more than 75 days before a redemption date, an Officers' Certificate setting forth (i) the clause of this Indenture pursuant to which the redemption shall occur, (ii) the redemption date, (iii) the principal amount of Senior Notes to be redeemed and (iv) the redemption price.

If the Issuers are required to make an offer to purchase Senior Notes pursuant to the provisions of Sections 4.10 or 4.14 hereof, they shall furnish to the Trustee, at least 30 days before the scheduled Purchase Date, an Officers' Certificate setting forth (i) the Section of this Indenture pursuant to which the offer to purchase shall occur, (ii) the terms of the offer, (iii) the purchase price, (iv) the principal amount of the Senior Notes to be purchased, and (v) further setting forth a statement to the effect that (a) the Partnership or one of its Subsidiaries has made an Asset Sale and there are Excess Proceeds aggregating more than $15 million and the amount of such Excess Proceeds or (b) a Change of Control has occurred, as applicable.

SECTION 3.02. SELECTION OF SENIOR NOTES TO BE PURCHASED OR REDEEMED.

If the Issuers elect to redeem less than all of the Senior Notes pursuant to the optional redemption provisions of Section 3.07 hereof and paragraph 5 of the Senior Notes, the Trustee shall select the Senior Notes to be redeemed as follows:

The Trustee shall select the Senior Notes to be redeemed among the Holders of the Senior Notes on a pro rata basis, by lot or in accordance with any other method the trustee considers fair and appropriate.

If less than all of the Senior Notes properly tendered in an Asset Sale Offer pursuant to Sections 3.09 and 4.10 hereof are to be purchased, the Trustee shall select the Senior Notes to be purchased on a pro rata basis.

The Trustee shall promptly notify the Issuers in writing of the Senior Notes selected for redemption and, in the case of any Senior Note selected for partial purchase or redemption, the principal amount thereof to be purchased or redeemed. Senior Notes and portions of Senior Notes selected shall be in amounts of $1,000 or whole multiples of $1,000; except that if all of the Senior Notes of a Holder are to be purchased or redeemed, the entire outstanding amount of Senior Notes held by such Holder,

even if not a multiple of $1,000, shall be purchased or redeemed. Except as provided in the preceding sentence, provisions of this Indenture that apply to Senior Notes called for redemption also apply to portions of Senior Notes called for redemption.

In the event the Issuers are required to make an Asset Sale Offer pursuant to Section 4.10 hereof and the amount of Excess Proceeds to be applied to such purchase would result in the purchase of a principal amount of Senior Notes which is not evenly divisible by $1,000, the Trustee shall promptly refund to the Issuers the portion of such Excess Proceeds that is not necessary to purchase the immediately lesser principal amount of Senior Notes that is so divisible.

SECTION 3.03. NOTICE OF REDEMPTION.

At least 30 days but not more than 60 days before a redemption date, the Issuers shall mail or cause to be mailed, by first class mail, a notice of redemption to each Holder whose Senior Notes are to be redeemed at its registered address.

The notice shall identify the Senior Notes to be redeemed and shall state:

(a) the redemption date;

(b) the redemption price;

(c) if any Senior Note is being redeemed in part, the portion of the principal amount of such Senior Note to be redeemed and that, after the redemption date upon surrender of such Senior Note, a new Senior Note or Senior Notes in principal amount equal to the unredeemed portion shall be issued upon cancellation of the original Senior Note;

(d) the name and address of the Paying Agent;

(e) that Senior Notes called for redemption must be surrendered to the Paying Agent to collect the redemption price;

(f) that, unless the Issuers default in making such redemption payment, interest on Senior Notes called for redemption ceases to accrue on and after the redemption date;

(g) the paragraph of the Senior Notes and/or Section of this Indenture pursuant to which the Senior Notes called for redemption are being redeemed; and

(h) that no representation is made as to the correctness or accuracy of the CUSIP number, if any, listed in such notice or printed on the Senior Notes.

At the Issuers' request, the Trustee shall give the notice of redemption in the Issuers' name and at their expense; provided, however, that the Issuers shall have delivered to the Trustee, at least 45 days prior to the redemption date, an Officers' Certificate requesting that the Trustee give such notice and setting forth the information to be stated in such notice as provided in the preceding paragraph (which request may be revoked by so notifying the Trustee in writing on or before the Business Day immediately preceding the date requested for the mailing of such notice).

SECTION 3.04. EFFECT OF NOTICE OF REDEMPTION.

Once notice of redemption is mailed in accordance with Section 3.03 hereof, Senior Notes called for redemption become irrevocably due and payable on the redemption date at the redemption price. A notice of redemption may not. be conditional

SECTION 3.05. DEPOSIT OF REDEMPTION PRICE.

One Business Day prior to the redemption date, the Issuers shall deposit with the Trustee or with the Paying Agent money sufficient to pay the redemption price of, and accrued interest including Liquidated Damages, if any, on all Senior Notes to be redeemed on that date. The Trustee or the Paying Agent shall promptly return to the Issuers any money deposited with the Trustee or the Paying Agent by the Issuers in excess of the amounts necessary to pay the redemption price of, and accrued interest on, all Senior Notes to be redeemed.

If the Issuers comply with the provisions of the preceding paragraph, on and after the redemption date, interest shall cease to accrue on the Senior Notes or the portions of Senior Notes called for redemption. If a Senior Note is redeemed on or after an interest record date but on or prior to the related interest payment date, then any accrued and unpaid interest shall be paid to the Person in whose name such Senior Note was registered at the close of business on such record date. If any Senior Note called for redemption shall not be so paid upon surrender for redemption because of the failure of the Issuers to comply with the preceding paragraph, interest shall be paid on the unpaid principal, from the redemption date until such principal is paid, and to the extent lawful on any interest not paid on such unpaid principal, in each case at the rate provided in the Senior Notes and in Section 4.01 hereof.

SECTION 3.06. SENIOR NOTES REDEEMED IN PART.

Upon surrender of a Senior Note that is redeemed in part, the Issuers shall issue and, upon the Issuers' written request, the Trustee shall authenticate for the Holder at the expense of the Issuers a new Senior Note equal in principal amount to the unredeemed portion of the Senior Note surrendered.

SECTION 3.07. OPTIONAL REDEMPTION.

The Issuers may redeem all or any portion of the Senior Notes, upon the terms and at the redemption prices set forth in paragraph 5 of the Senior Notes. Any redemption pursuant to this Section 3.07 shall be made pursuant to the provisions of Sections 3.01 through 3.06 hereof.

SECTION 3.08. MANDATORY REDEMPTION.

Except as set forth under Sections 4.10 and 4.14 hereof, the Issuers shall not be required to make mandatory payments with respect to the Senior Notes.

SECTION 3.09. ASSET SALE OFFERS.

In the event that, pursuant to Section 4.10 hereof, the Issuers shall be required to commence an offer to all Holders to purchase Senior Notes (an "Asset Sale Offer"), it shall follow the procedures specified in this Section 3.09.

The Asset Sale Offer shall commence on the date (the "Commencement Date") specified in Section 4.10 hereof and shall remain open for a period specified by the Issuers, which shall be in accordance with Section 4.10 hereof (the "Offer Period"). No later than five Business Days after the termination of the Offer Period (the "Purchase Date"), the Issuers shall purchase the principal amount of Senior Notes required to be purchased pursuant to Section 4.10 hereof (the "Offer Amount") or, if less than the Offer Amount has been tendered, all Senior Notes tendered in response to such Asset Sale Offer. Payment for any Senior Notes so purchased shall be made in the same manner as interest payments are made.

If the Purchase Date is on or after an interest record date and on or before the related interest payment date, any accrued and unpaid interest and Liquidated Damages, if any, shall be paid to the Person in whose name a Senior Note is registered at the close of business on such record date, and no additional interest shall be payable to Holders who tender Senior Notes pursuant to such Asset Sale Offer.

Upon the commencement of an Asset Sale Offer, the Issuers shall send, by first class mail, a notice to the Trustee and each of the Holders. The notice shall contain all instructions and materials necessary to enable such Holders to tender Senior Notes pursuant to such Asset Sale Offer. The Asset Sale Offer shall be made to all Holders. The notice, which shall govern the terms of the Asset Sale Offer, shall state:

(a) that the Asset Sale Offer is being made pursuant to Section 4.10 hereof, the Offer Period, and the expiration date of the Offer Period;

(b) the Offer Amount, the purchase price and the Purchase Date;

(c) that any Senior Note not tendered and accepted for payment shall continue to accrue interest and Liquidated Damages, if any;

(d) that, unless the Issuers default in making such payment, any Senior Note accepted for payment pursuant to the Asset Sale Offer shall cease to accrue interest and Liquidated Damages, if any, after the Purchase Date;

(e) that Holders electing to have a Senior Note purchased pursuant to any Asset Sale Offer shall be required to surrender the Senior Note, with the form entitled "Option of Holder to Elect Purchase" on the reverse of the Senior Note completed, to the Issuers, a depositary, if appointed by the Issuers, or a Paying Agent at the address specified in the notice prior to the close of the Offer Period;

(f) that Holders shall be entitled to withdraw their election if the Issuers, the depositary or the Paying Agent, as the case may be, receives, not later than the close of the Offer Period, a telegram, telex, facsimile transmission or letter setting forth the name of the Holder, the principal amount of the Senior Note the Holder delivered for purchase and a statement that such Holder is withdrawing his election to have such Senior Note purchased;

(g) that, if the aggregate principal amount of Senior Notes surrendered by Holders exceeds the Offer Amount, the Senior Notes to be purchased shall be selected pursuant to the terms of Section 3.02 hereof, and that Holders whose Senior Notes were purchased only in part shall be issued new Senior Notes (accompanied by a notation of the Subsidiary Guarantee duly endorsed by

the Guarantor) equal in principal amount to the unpurchased portion of the Senior Notes surrendered; and

(h) the circumstances and material facts regarding the Asset Sale or Asset Sales giving rise to such Asset Sale Offer, including but not limited to, information with respect to pro forma and historical financial information if material operations of the Partnership or any Subsidiary were divested in such Asset Sale or Asset Sales.

On or before the Purchase Date, the Issuers shall, to the extent lawful, accept for payment, pursuant to the terms of Section 3.02 hereof, the Offer Amount of Senior Notes or portions thereof tendered pursuant to the Asset Sale Offer, or if less than the Offer Amount has been tendered, all Senior Notes tendered, and shall deliver to the Trustee an Officers' Certificate stating that such Senior Notes or portions thereof were accepted for payment by the Issuers in accordance with the terms of this Section 3.09. The Issuers, the depositary or the Paying Agent, as the case may be, shall promptly (but in any case not later than five days after the Purchase Date) wire, mail or deliver to each tendering Holder an amount equal to the purchase price of the Senior Notes tendered by such Holder and accepted by the Issuers for purchase, and the Issuers shall promptly issue a new Senior Note, and the Trustee, upon written request from the Issuers shall authenticate and mail or deliver such new Senior Note to such Holder, in a principal amount equal to any unpurchased portion of the Senior Note surrendered. Any Senior Note not so accepted shall be promptly mailed or delivered by the Issuers to the Holder thereof. The Issuers shall publicly announce the results of such Asset Sale Offer on the Purchase Date.

Other than as specifically provided in this Section 3.09, any purchase pursuant to this Section 3.09 shall be made pursuant to the provisions of Sections 3.01 through 3.06 hereof to the extent applicable.

ARTICLE 4
COVENANTS

SECTION 4.01. PAYMENT OF SENIOR NOTES.

The Issuers shall pay or cause to be paid the principal of, premium, if any, and interest, including Liquidated Damages, if any, on the Senior Notes on the dates and in the manner provided in the Senior Notes. Principal, premium, if any, and interest shall be considered paid on the date due if the Paying Agent, if other than the Issuers or the Guarantor, holds as of 10:00 a.m. Eastern Time on the due date money deposited by the Issuers or the Guarantor in immediately available funds and designated for and sufficient to pay all principal, premium, if any, and interest, including Liquidated Damages, if any, then due.

The Issuers shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue principal at the rate equal to 1% per annum in excess of the then applicable interest rate on the Senior Notes to the extent lawful; it shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue installments of interest, including Liquidated Damages, if any, (without regard to any applicable grace period) at the same rate to the extent lawful.

SECTION 4.02. MAINTENANCE OF OFFICE OR AGENCY.

The Issuers shall maintain in the Borough of Manhattan, the City of New York, an office or agency (which may be an office of the Trustee or an affiliate of the Trustee, Registrar or co-registrar) where Senior Notes may be surrendered for registration of transfer or for exchange and where notices and demands to or upon the Issuers or the Guarantor in respect of the Senior Notes and this Indenture may be served. The Issuers shall give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Issuers shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee.

The Issuers may also from time to time designate one or more other offices or agencies where the Senior Notes may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; provided, however, that no such designation or rescission shall in any manner relieve the Issuers of their obligation to maintain an office or agency in the Borough of Manhattan, the City of New York for such purposes. The Issuers shall give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency.

The Issuers hereby designate the Corporate Trust Office of the Trustee as one such office or agency of the Issuers in accordance with Section 2.03 hereof.

SECTION 4.03. REPORTS.

Whether or not required by the rules and regulations of the SEC, so long as any Senior Notes are outstanding, the Issuers will furnish to the Holders of Senior Notes (i) all quarterly and annual financial information that would be required to be contained in a filing with the SEC on Forms 10-Q and 10-K if the Issuers were required to file such Forms, including a "Management's Discussion and Analysis of Financial Condition and Results of Operations" and, with respect to the annual information only, a report thereon by the Issuers' certified independent accountants and (ii) all reports that would be required to be filed with the SEC on Form 8-K if the Issuers were required to file such reports. In addition, whether or not required by the rules and regulations of the SEC, the Issuers will file a copy of all such information with the SEC for public availability (unless the SEC will not accept such a filing) and make such information available to investors who request it in writing. In addition, for so long as any Senior Notes remain outstanding, the Issuers shall furnish to all Holders and to securities analysts and prospective investors, upon their written request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

SECTION 4.04. COMPLIANCE CERTIFICATE.

(a) Each Issuer shall deliver to the Trustee, within 90 days after the end of each fiscal year, an Officers' Certificate stating that a review of the activities of the Partnership and its Subsidiaries during the preceding fiscal year has been made under the supervision of the signing Officers with a view to determining whether each Issuer, the Guarantor and each obligor on the Senior Notes and this Indenture has kept, observed, performed and fulfilled its obligations under this Indenture (including with respect to any Restricted Payments made during such year, the basis upon which the calculations required by Section 4.07 hereof were computed, which calculations may be based on the Partnership's latest available financial statements), and further stating, as to each such Officer signing such certificate, that to the best of his or her knowledge, each Issuer, the Guarantor and each such obligor has kept, observed, performed and fulfilled each and every covenant contained in this Indenture and the Pledge Agreement and is not

in default in the performance or observance of any of the terms, provisions and conditions of this Indenture or the Pledge Agreement (or, if a Default or Event of Default shall have occurred, describing all such Defaults or Events of Default of which he or she may have knowledge and what action each Issuer, the Guarantor or each such obligor, as the case may be, is taking or proposes to take with respect thereto) and that to the best of his or her knowledge no event has occurred and remains in existence by reason of which payments on account of the principal of, premium, if any, interest or Liquidated Damages, if any, on the Senior Notes is prohibited or if such event has occurred, a description of the event and what action each Issuer, the Guarantor or each such obligor, as the case may be, is taking or proposes to take with respect thereto.

(b) So long as not contrary to the then current recommendations of the American Institute of Certified Public Accountants, the year-end financial statements delivered pursuant to Section 4.03 hereof shall be accompanied by a written statement of the Partnership's independent public accountants (who shall be a firm of established national reputation) that in making the examination necessary for certification of such financial statements, nothing has come to their attention that would lead them to believe that the Issuers have violated any provisions of Article Four or Article Five hereof or, if any such violation has occurred, specifying the nature and period of existence thereof, it being understood that such accountants shall not be liable directly or indirectly to any Person for any failure to obtain knowledge of any such violation.

(c) Each Issuer and the Guarantor shall, so long as any of the Senior Notes are outstanding, deliver to the Trustee, forthwith upon any Officer of such Issuer (or of the General Partner, in the case of the Partnership and the Guarantor) becoming aware of any Default or Event of Default, an Officers' Certificate specifying such Default or Event of Default and what action such Issuer and the Guarantor is taking or proposes to take with respect thereto.

SECTION 4.05. TAXES.

The Issuers shall pay, and shall cause each of their Subsidiaries to pay, prior to delinquency, all material taxes, assessments, and governmental levies except such as are contested in good faith and by appropriate proceedings or where the failure to effect such payment is not adverse in any material respect to the Holders of the Senior Notes.

SECTION 4.06. STAY, EXTENSION AND USURY LAWS.

Each of the Issuers and the Guarantor covenants (to the extent that it may lawfully do so) that it shall not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law wherever enacted, now or at any time hereafter in force, that may affect the covenants or the performance of this Indenture; and each of the Issuers and the Guarantor (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants that it shall not, by resort to any such law, hinder, delay or impede the execution of any power herein granted to the Trustee, but shall suffer and permit the execution of every such power as though no such law had been enacted.

SECTION 4.07. RESTRICTED PAYMENTS.

The Partnership shall not, and shall not permit any of its Subsidiaries to, directly or indirectly: (i) declare or pay any dividend or make any distribution on account of the Partnership's or any Subsidiary's Equity Interests (other than (x) dividends or distributions payable in Equity Interests (other

than Disqualified Interests) of the Partnership, (y) dividends or distributions payable to the Partnership or the Operating Partnership or (z) distributions or dividends payable pro rata to all holders of Capital Interests of any such Subsidiary); (ii) purchase, redeem or otherwise acquire or retire for value any Equity Interests of the Partnership or any Subsidiary or other Affiliate of the Partnership (other than any such Equity Interests owned by the Partnership or the Operating Partnership); (iii) purchase, redeem or otherwise acquire or retire for value any Indebtedness that is subordinated to the Senior Notes; or (iv) make any Restricted Investment (all such payments and other actions set forth in clauses (i) through (iv) above being collectively referred to as "Restricted Payments"), unless, at the time of and after giving effect to such Restricted Payment:

(a) no Default or Event of Default shall have occurred and be continuing or would occur as a consequence thereof;

(b) the Fixed Charge Coverage Ratio of the Partnership for the Partnership'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 2.0 to 1.0; 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 Officers' Certificate delivered to the Trustee), together with the aggregate of all other Restricted Payments (other than any Restricted Payments permitted by the provisions of clauses (ii) or (iii) of the penultimate paragraph of this Section 4.07) made by the Partnership and its Subsidiaries in the fiscal quarter during which such Restricted Payment is made, shall not exceed an amount equal to the sum of (i) Available Cash of the Partnership for the immediately preceding fiscal quarter (or, with respect to the first fiscal quarter during which Restricted Payments are made, the amount of Available Cash of the Partnership for the period commencing on the date of this Indenture and ending on the last day of the immediately preceding fiscal quarter) plus (ii) the lesser of (x) the amount of Available Cash of the Partnership for the first 45 days of the fiscal quarter during which such Restricted Payment is made and (y) the amount of working capital Indebtedness that the Partnership could have incurred on the last day of the immediately preceding fiscal quarter under the terms of the agreements and instruments governing its outstanding Indebtedness on such date.

The foregoing provisions will not prohibit (i) the payment of any distribution within 60 days after the date on which the Partnership becomes committed to make such distribution, if at said date of commitment such payment would have complied with the provisions of this Indenture; (ii) the redemption, repurchase, retirement or other acquisition of any Equity Interests of the Partnership in exchange for, or out of the proceeds of, the substantially concurrent sale (other than to a Subsidiary of the Partnership) of other Equity Interests of the Partnership (other than any Disqualified Interests); and (iii) the defeasance, redemption or repurchase of Subordinated Indebtedness with the proceeds of Permitted Refinancing Indebtedness.

Not later than the date of making any Restricted Payment, the General Partner shall deliver to the Trustee an Officers' Certificate stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required by this Section 4.07 were computed, which calculations may be based upon the Partnership's latest available financial statements.

SECTION 4.08. DIVIDEND AND OTHER PAYMENT RESTRICTIONS AFFECTING SUBSIDIARIES.

The Partnership shall not, and shall not permit any of its Subsidiaries to, directly or indirectly, create or otherwise cause or suffer to exist or become effective any encumbrance or restriction on the ability of any Subsidiary to (a) pay dividends or make any other distributions to the Partnership or any of its Subsidiaries (1) on its Capital Interests or (2) with respect to any other interest or participation in, or measured by, its profits, (b) pay any indebtedness owed to the Partnership or any of its Subsidiaries, (c) make loans or advances to the Partnership or any of its Subsidiaries or (d) transfer any of its properties or assets to the Partnership or any of its Subsidiaries, except for such encumbrances or restrictions existing under or by reason of (i) Existing Indebtedness as in effect on the date of this Indenture, (ii) the Credit Facility, as in effect on the date of this Indenture, this Indenture, the Senior Notes, the Subsidiary Guarantee, the Operating Partnership Indenture as in effect on the date of this Indenture, the Fixed Rate Notes and the Floating Rate Notes, (iii) applicable law, (iv) any instrument governing Indebtedness or Capital Interests of a Person acquired by the Partnership 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 Indenture, (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, (viii) agreements governing any Indebtedness that is permitted to be incurred hereunder and that is incurred to extend, refinance, renew, replace, defease or refund Indebtedness outstanding pursuant to the Credit Facility, provided that the restrictions contained in the agreements governing such refinancing Indebtedness are no more restrictive than those contained in the Credit Facility as in effect on the date of this Indenture or (ix) other Indebtedness permitted to be incurred subsequent to the date of this Indenture pursuant to the provisions of Section 4.09 hereof; provided that such restrictions are no more restrictive than those contained in the Credit Facility and the Operating Partnership Indenture, each as in effect on the date of this Indenture.

SECTION 4.09.INCURRENCE OF INDEBTEDNESS AND ISSUANCE OF DISQUALIFIED INTERESTS.

The Issuers shall not, and shall not permit any of their Subsidiaries to, directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable with respect to (collectively, "incur") any Indebtedness (including Acquired Debt) and the Issuers shall not issue any Disqualified Interests and shall not permit any of their Subsidiaries to issue any shares of preferred stock; provided, however, that the Issuers may incur Indebtedness and any Subsidiary of the Issuers may incur Acquired Debt if the Fixed Charge Coverage Ratio for the Partnership's most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is incurred would have been at least 2.25 to 1.0, determined on a pro forma basis (including a pro forma application of the net proceeds therefrom), as if the additional Indebtedness had been incurred at the beginning of such four-quarter period.

Notwithstanding the foregoing, the Operating Partnership shall not, and shall not permit any of its Subsidiaries to, directly or indirectly incur any Subordinated Indebtedness (including Acquired Debt which constitutes Subordinated Indebtedness) and that the Operating Partnership shall not issue any Disqualified Interests and shall not permit any of its Subsidiaries to issue any shares of preferred stock prior to the Subsidiary Guarantee Effectiveness Date, irrespective of whether the Partnership's Fixed Charge Coverage Ratio exceeds 2.25 to 1.0.

The foregoing limitations of this Section 4.09 will not apply to: (i) the Indebtedness represented by the Senior Notes and the Subsidiary Guarantee; (ii) the incurrence by the Operating Partnership of Indebtedness pursuant to the Credit Facility (or any Permitted Senior Refinancing Indebtedness in respect thereof) in an aggregate principal amount at any time outstanding not to exceed $205.0 million; (iii) the Indebtedness represented by the existing Fixed Rate Notes and Floating Rate Notes; (iv) revolving Indebtedness incurred solely for working capital purposes in an aggregate outstanding principal amount not to exceed $40.0 million at any time, provided that the outstanding principal balance of such revolving Indebtedness (or, if such revolving Indebtedness is incurred as an addition or extension to the Credit Facility, the outstanding principal balance under the Credit Facility in excess of the limits set forth in clause (ii) above) shall be reduced to zero for a period of 30 consecutive days during each fiscal year; (v) the incurrence by the Partnership or any of its Subsidiaries of Indebtedness in respect of Capitalized Lease Obligations in an aggregate principal amount not to exceed $15.0 million; (vi) the Existing Indebtedness; (vii) the incurrence by the Partnership or any of its Subsidiaries of Permitted Refinancing Indebtedness in exchange for, or the proceeds of which are used to extend, refinance, renew, replace, defease or refund any then outstanding Indebtedness of the Partnership or such Subsidiary not incurred in violation of this Indenture; (viii) Hedging Obligations that are incurred for the purpose of fixing or hedging interest rate risk with respect to any floating rate Indebtedness that is permitted by the terms of this Indenture to be outstanding; (ix) Indebtedness of any Subsidiary of the Partnership to the Partnership or any of its Wholly Owned Subsidiaries; (x) the incurrence by the Partnership, the Operating Partnership or the Insurance Company Subsidiary of Indebtedness owing directly to its insurance carriers (without duplication) in connection with the Partnership's, the Operating Partnership's, their Subsidiaries' or their Affiliates' self-insurance programs or other similar forms of retained insurable risks for their respective retail propane businesses, consisting of reinsurance agreements and indemnification agreements (and guarantees of the foregoing) secured by letters of credit, provided that the Indebtedness evidenced by such reinsurance agreements, indemnification agreements, guarantees and letters of credit shall be counted (without duplication) for purposes of all calculations pursuant to the Fixed Charge Coverage Ratio test above; (xi) surety bonds and appeal bonds required in the ordinary course of business or in connection with the enforcement of rights or claims of the Partnership or any of its Subsidiaries or in connection with judgments that do not result in a Default or Event of Default; (xii) the incurrence by the Partnership or the Operating Partnership of Indebtedness in connection with acquisitions of retail propane businesses in favor of the sellers of such businesses in a principal amount not to exceed $15.0 million in any fiscal year or $60.0 million in the aggregate outstanding at any one time, provided that the principal amount of such Indebtedness incurred in connection with any such acquisition shall not exceed the fair market value of the assets so acquired; and (xiii) Indebtedness of the Partnership owing from time to time to the General Partner or an Affiliate of the General Partner that is unsecured and that is Subordinated Indebtedness; provided that the aggregate principal amount of such Indebtedness outstanding at any time shall not exceed $50.0 million.

The aggregate amount of Indebtedness permitted to be incurred by clauses (ii), (iv), (v), (xii) and (xiii) above, shall be reduced by the aggregate amount of any sale and leaseback transaction entered into by the Partnership or its Subsidiaries pursuant to the terms of the last sentence of Section 4.17 of this Indenture.

For purposes of this Section 4.09, any revolving Indebtedness shall be deemed to have been incurred only at such time at which the agreements and instruments (including any amendments thereto that increase the amount, reduce the Weighted Average Life to Maturity, change any subordination provisions or create any additional obligor of such revolving Indebtedness) are executed, in an amount equal to the maximum amount of such revolving Indebtedness permitted to be borrowed thereunder, and the Partnership's ability to borrow or reborrow such revolving Indebtedness up to such maximum permitted amount shall not thereafter be limited by the provisions of this Section 4.09 (other than the proviso set forth in clause (iv) of the third paragraph of this Section 4.09.)

SECTION 4.10. ASSET SALES.

The Partnership shall not, and shall not permit any of its Subsidiaries to, (i) sell, lease, convey or otherwise dispose of any assets (including by way of a sale-and-leaseback) other than sales of inventory in the ordinary course of business consistent with past practice (provided that the sale, lease, conveyance or other disposition of all or substantially all of the assets of the Partnership shall be governed by the provisions of Sections 4.14 and/or 5.01 hereof and not by the provisions of this Section 4.10), 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 million, or (b) for net proceeds in excess of $5 million (each of the foregoing, an "Asset Sale"), unless (x) the Partnership (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 set forth in an Officers' Certificate delivered to the Trustee) of the assets sold or otherwise disposed of and (y) at least 80% of the consideration therefor received by the Partnership or such Subsidiary is in the form of cash; provided, however, that the amount of (A) any liabilities (as shown on the Partnership's or such Subsidiary's most recent balance sheet or in the notes thereto) of the Partnership or any Subsidiary (other than liabilities that are by their terms subordinated in right of payment to the Senior Notes) that are assumed by the transferee of any such assets and (B) any notes or other obligations received by the Partnership or any such Subsidiary from such transferee that are immediately converted by the Partnership 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 (1) any transfer of assets by the Partnership or any of its Subsidiaries to a Wholly Owned Subsidiary of the Partnership that is a Guarantor, (2) any transfer of assets by the Partnership or any of its Subsidiaries to any Person in exchange for other assets used in a line of business permitted under Section 4.16 hereof and having a fair market value not less than that of the assets so transferred, (3) any transfer of assets pursuant to a Permitted Investment and (4) any transfer of assets to a Non-Recourse Subsidiary by the Partnership or any of its Subsidiaries, which assets were acquired in a Flow-Through Acquisition; provided that no Default or Event of Default has occurred and is continuing or would occur as a result of such transfer.

Within 270 days after any Asset Sale, the Partnership may apply the Net Proceeds from such Asset Sale to (a) permanently reduce Indebtedness outstanding under the Credit Facility (with a permanent reduction of availability in the case of revolving Indebtedness), the Operating Partnership Indenture or any other Indebtedness permitted to be incurred by the Operating Partnership under this Indenture or (b) an investment in capital expenditures or other long-term tangible assets, in each case, in the same line of business as the Partnership and its Subsidiaries were engaged in on the date of this Indenture. Pending the final application of any such Net Proceeds, the Partnership may temporarily reduce borrowings under

the Credit Facility or otherwise invest such Net Proceeds in any manner that is not prohibited by this Indenture. Any Net Proceeds from the Asset Sale that are not applied or invested as provided in the first sentence of this paragraph will be deemed to constitute "Excess Proceeds." When the aggregate amount of Excess Proceeds exceeds $15 million, the Issuers shall make an Asset Sale Offer to all Holders of Senior Notes to purchase the maximum principal amount of Senior Notes that may be purchased out of the Excess Proceeds, at an offer price in cash in an amount equal to 100% of the principal amount thereof plus accrued, unpaid interest and Liquidated Damages, if any, to the date of purchase, in accordance with the procedures set forth in Article 3 hereof. The Issuers shall commence an Asset Sale Offer with respect to Excess Proceeds within 10 Business Days after the date that Excess Proceeds exceeds $15 million by mailing the notice required in Section 3.09 hereof to the Holders. The Offer Period shall be not less than 30 days and not more than 40 days, unless a longer period is required by law. The Issuers shall comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations to the extent such laws and regulations are applicable in connection with the repurchase of the Senior Notes in connection with an Asset Sale Offer. To the extent that the aggregate amount of Senior Notes tendered pursuant to an Asset Sale Offer is less than the Excess Proceeds, the Partnership may use such deficiency for general business purposes. If the aggregate principal amount of Senior Notes surrendered by Holders thereof exceeds the amount of Excess Proceeds, the Trustee shall select the Senior Notes to be purchased on a pro rata basis. Upon completion of such offer to purchase, the amount of Excess Proceeds shall be reset at zero.

SECTION 4.11. TRANSACTIONS WITH AFFILIATES.

The Partnership shall not, and shall not permit any of its Subsidiaries to, sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into any contract, agreement, understanding, loan, advance or guarantee with, or for the benefit of, any Affiliate, including any Non-Recourse Subsidiary (each of the foregoing, an "Affiliate Transaction"), unless (a) such Affiliate Transaction is on terms that are no less favorable to the Partnership or the relevant Subsidiary than those that would have been obtained in a comparable transaction by the Partnership 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 $15.0 million, the Partnership delivers to the Trustee an opinion as to the fairness to the Partnership or such Subsidiary from a financial point of view issued by an investment banking firm of national standing; provided, however, that (i) any employment agreement or stock option agreement entered into by the Partnership (or the General Partner) in the ordinary course of business and consistent with the past practice of the Partnership (or the General Partner) or such Subsidiary, (ii) Restricted Payments permitted by the provisions of Section 4.07 hereof, and (iii) transactions entered into by the Partnership, the Operating Partnership or the Insurance Company Subsidiary in the ordinary course of business in connection with reinsuring the self-insurance programs or other similar forms of retained insurable risks of the retail propane businesses operated by the Partnership, its Subsidiaries and its Affiliates, in each case, shall not be deemed Affiliate Transactions. Notwithstanding the foregoing, in any transaction involving a Flow-Through Acquisition, the dollar amount equal to the purchase price paid by the General Partner or its parent to any third party that is not an Affiliate for such property, assets or equipment will be excluded from calculating the value and/or net proceeds set forth in clauses (b)(i) and (ii) above.

SECTION 4.12. LIENS.

The Partnership shall not, and shall not permit any of its Subsidiaries to, directly or indirectly, create, incur, assume or suffer to exist any Lien on any asset now owned or hereafter acquired, or any income or profits therefrom or assign or convey any right to receive income therefrom, except Permitted Liens.

SECTION 4.13. LIMITATIONS ON SUBSIDIARY STRUCTURE.

Each of the Operating Partnership and Finance Corp. shall at all times continue to be direct Wholly Owned Subsidiaries of the Partnership. In addition, the Operating Partnership and the Finance Corps. may not at any time be designated as Non-Recourse Subsidiaries.

SECTION 4.14. OFFER TO PURCHASE UPON CHANGE OF CONTROL.

Upon the occurrence of a Change of Control, the Issuers shall make an offer (a "Change of Control Offer") to each Holder to purchase all or any part of such Holder's Senior Notes at an offer price in cash equal to 101% of the aggregate principal amount thereof plus accrued and unpaid interest and Liquidated Damages, if any, to the date of purchase (the "Change of Control Payment"). The Issuers shall comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable in connection with such Change of Control Offer.

The Issuers shall commence such Change of Control Offer within 10 days following any Change of Control by mailing a notice of such Change of Control to each Holder at its last registered address with a copy to the Trustee and the Paying Agent. The Change of Control Offer shall remain open from the time of mailing until the close of business on the Business Day preceding the Change of Control Payment Date (as defined below). The notice, which shall govern the terms of the Change of Control Offer, shall state:

(1) that the Change of Control Offer is being made pursuant to this Section 4.14 and that all Senior Notes tendered will be accepted for payment;

(2) the amount of the Change of Control Payment and the purchase date, which is a date no earlier than 30 days nor later than 60 days from the date that the Issuers mail notice of the Change of Control to the Holders (the "Change of Control Payment Date");

(3) that any Senior Notes not tendered will continue to accrue interest in accordance with the terms of the Indenture;

(4) that, unless the Issuers default in the payment of the Change of Control Payment, all Senior Notes accepted for payment pursuant to the Change of Control Offer shall cease to accrue interest after the Change of Control Payment Date;

(5) that Holders electing to have Senior Notes purchased pursuant to the Change of Control Offer will be required to surrender their Senior Notes, with the form entitled "Option of Holder to Elect Purchase" on the reverse of the Senior Note completed, to the Paying Agent at the address specified in the notice prior to the close of business on the third Business Day preceding the Change of Control Payment Date;

(6) that Holders will be entitled to withdraw their election if the Paying Agent receives, not later than the close of business on the second Business Day preceding the Change of Control Payment Date, a telegram, telex, facsimile transmission or letter setting forth the name of the Holder, the principal amount of Senior Notes the Holder delivered for purchase, and a statement that such Holder is withdrawing its election to have such Senior Notes purchased;

(7) that Holders whose Senior Notes are being purchased only in part will be issued new Senior Notes equal in principal amount to the unpurchased portion of the Senior Notes surrendered, which unpurchased portion must be equal to $1,000 in principal amount or an integral multiple thereof; and

(8) the circumstances and relevant facts regarding such Change of Control (including, but not limited to, information with respect to pro forma historical financial information after giving effect to such Change of Control, information regarding the Person or Persons acquiring control and such Person's or Persons' business plans going forward).

On the Change of Control Payment Date, the Issuers shall, to the extent lawful, (i) accept for payment Senior Notes or portions thereof tendered pursuant to the Change of Control Offer, (ii) deposit with the Paying Agent an amount equal to the Change of Control Payment in respect of all Senior Notes or portions thereof so tendered and (iii) deliver or cause to be delivered to the Trustee the Senior Notes so accepted together with an Officers' Certificate stating the aggregate amount of the Senior Notes or portions thereof tendered to the Issuers. The Paying Agent shall promptly, but in no event later than three Business Days following the Change of Control Payment Date, wire or mail to each Holder of Notes so accepted payment in an amount equal to the Change of Control Payment for such Senior Notes, and the Issuers shall promptly issue a new Senior Note, and the Trustee shall authenticate and mail or deliver a new Senior Note to such Holder equal in principal amount to any unpurchased portion of the Senior Notes surrendered, if any; provided, that each such new Senior Note shall be in a principal amount of $1,000 or an integral multiple thereof. The Issuers shall publicly announce in The Wall Street Journal, or if no longer published, a national newspaper of general circulation the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

SECTION 4.15. PARTNERSHIP OR CORPORATE EXISTENCE.

Subject to Article 5 hereof, as the case may be, each Issuer and the Guarantor shall do or cause to be done all things necessary to preserve and keep in full force and effect (i) its corporate or partnership existence, and the corporate or partnership existence of each of their Subsidiaries, in accordance with the respective organizational documents (as the same may be amended from time to time) of each Issuer, the Guarantor or any such Subsidiary, as the case may be, and (ii) the rights (charter and statutory), licenses and franchises of each Issuer, the Guarantor and their respective Subsidiaries; provided, however, that the Issuers and the Guarantor shall not be required to preserve any such right, license or franchise, or the corporate, partnership or other existence of any of their respective Subsidiaries, if an Officer of the General Partner or Finance Corp., as the case may be, shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Issuers, the Guarantor and their Subsidiaries, taken as a whole and that the loss thereof is not adverse in any material respect to the Holders of the Senior Notes.

SECTION 4.16. LINE OF BUSINESS.

For so long as any Senior Notes are outstanding, the Partnership and its Subsidiaries will not materially or substantially engage in any business other than that in which the Partnership and its Subsidiaries were engaged on the date of this Indenture.

SECTION 4.17. LIMITATION ON SALE AND LEASEBACK TRANSACTIONS.

The Partnership shall not, and shall not permit any of its Subsidiaries to, enter into any arrangement with any Person providing for the leasing by the Partnership or such Subsidiary of any property that has been or is to be sold or transferred by the Partnership or such Subsidiary to such Person in contemplation of such leasing, unless (a) the Partnership or such Subsidiary would be permitted under this Indenture to incur Indebtedness secured by a Lien on such property in an amount equal to the Attributable Debt with respect to such sale and leaseback transaction or (b) the lease in such sale and leaseback transaction is for a term not in excess of the lesser of (i) three years and (ii) 60% of the useful remaining life of such property. Notwithstanding the foregoing, the Partnership and its Subsidiaries may enter into sale and leaseback transactions relating to propane tanks up to an aggregate principal amount of $25 million at any time, provided that such transaction would not cause a default under Section 4.09 hereof.

SECTION 4.18. RESTRICTIONS ON NATURE OF INDEBTEDNESS AND ACTIVITIES OF FINANCE CORP.

In addition to the provisions of Section 4.09 hereof, Finance Corp. shall not incur any Indebtedness unless (a) the Partnership is a co-obligor or guarantor of such Indebtedness or (b) the net proceeds of such Indebtedness are lent to the Partnership, used to acquire outstanding debt securities issued by the Partnership or used directly or indirectly to refinance or discharge Indebtedness permitted under the limitations of this Section 4.18. Finance Corp. shall not engage in any business not related directly or indirectly to obtaining money or arranging financing for the Partnership.

ARTICLE 5
SUCCESSORS

SECTION 5.01. MERGER, CONSOLIDATION, OR SALE OF ASSETS.

(a) The Partnership shall not consolidate or merge with or into (whether or not the Partnership is the surviving corporation), or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of its properties or assets in one or more related transactions, to another Person unless (i) the Partnership is the surviving Person, or the Person formed by or surviving any such consolidation or merger (if other than the Partnership) 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; (ii) the Person formed by or surviving any such consolidation or merger (if other than the Partnership) or Person to which such sale, assignment, transfer, lease, conveyance or other disposition shall have been made assumes all the obligations of the Partnership pursuant to a supplemental indenture in a form reasonably satisfactory to the Trustee, under the Senior Notes and this Indenture; (iii) immediately after such transaction no Default or Event of Default exists; and (iv) the Partnership or any Person formed by or surviving any such consolidation or merger, or to which such sale, assignment, transfer, lease, conveyance or other disposition shall have been made (A) shall have Consolidated Net Worth (immediately after the

transaction but prior to any purchase accounting adjustments resulting from the transaction) equal to or greater than the Consolidated Net Worth of the Partnership immediately preceding the transaction and (B) shall, at the time of such transaction and after giving pro forma effect thereto as if such transaction had occurred at the beginning of the applicable four-quarter period, be permitted to incur at least $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in Section 4.09 hereof.

(b) Finance Corp. may not consolidate or merge with or into (whether or not Finance Corp. 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) Finance Corp. is the surviving Person, or the Person formed by or surviving any such consolidation or merger (if other than Finance Corp.) or to which such sale, assignment, transfer, lease, conveyance or other disposition shall have been made is a corporation organized or existing under the laws of the United States, any state thereof or the District of Columbia and a Wholly Owned Subsidiary of the Partnership; (ii) the Person formed by or surviving any such consolidation or merger (if other than Finance Corp.) or the Person to which such sale, assignment, transfer, lease, conveyance or other disposition shall have been made assumes all the obligations of Finance Corp., pursuant to a supplemental indenture in a form reasonably satisfactory to the Trustee, under the Senior Notes and this Indenture; and (iii) immediately after such transaction no Default or Event of Default exists.

(c) The Partnership or Finance Corp., as the case may be, shall deliver to the Trustee prior to the consummation of the proposed transaction pursuant to the foregoing paragraphs (a) and (b) an Officers' Certificate to the foregoing effect and an Opinion of Counsel stating that the proposed transaction and such supplemental indenture comply with this Indenture. The Trustee shall be entitled to conclusively rely upon such Officers' Certificate and Opinion of Counsel.

SECTION 5.02. SUCCESSOR PERSON SUBSTITUTED.

Upon any consolidation or merger, or any sale, assignment, transfer, lease, conveyance or other disposition of all or substantially all of the assets of the Partnership or Finance Corp. in accordance with Section 5.01 hereof, the successor Person formed by such consolidation or into or with which the Partnership or Finance Corp. 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 Indenture referring to the "Partnership," "Finance Corp.," or the "Issuers," as the case may be shall refer to or include instead the successor Person and not the Partnership or Finance Corp., as the case may be), and may exercise every right and power of the Partnership or Finance Corp., as the case may be under this Indenture with the same effect as if such successor Person had been named as the Partnership or Finance Corp., as the case may be, herein; provided, however, that the predecessor Issuer shall not be relieved from the obligation to pay the principal of, premium, if any, and interest including Liquidated Damages, if any, on the Senior Notes except in the case of a sale of all of such Issuer's assets that meets the requirements of Section 5.01 hereof.

ARTICLE 6
DEFAULTS AND REMEDIES

SECTION 6.01. EVENTS OF DEFAULT.

An "Event of Default" occurs if:

(a) the Issuers or the Guarantor default in the payment of interest and Liquidated Damages, if any, on the Senior Notes when the same becomes due and payable and such default continues for a period of 30 days;

(b) the Issuers or the Guarantor default in the payment of principal of or premium, if any, on the Senior Notes when the same becomes due and payable at maturity, upon redemption (including in connection with an offer to purchase) or otherwise;

(c) the Issuers fail for a period of 20 days to observe or perform any covenant, condition or agreement on the part of the Issuers to be observed or performed pursuant to Sections 4.07, 4.09, 4.10, 4.14 and 5.01 hereof;

(d) the Issuers or the Guarantor fail to comply with any of their other respective agreements or covenants in, or provisions of, the Senior Notes, the Subsidiary Guarantee or this Indenture and the Default continues for the period and after the notice specified below;

(e) a default occurs under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Partnership or any of its Subsidiaries (or the payment of which is Guaranteed by the Partnership or any of its Subsidiaries), whether such Indebtedness or Guarantee now exists or shall be created hereafter, which default (i) is caused by a failure to pay principal of or premium, if any, or interest on such Indebtedness prior to the expiration of the grace period provided in such Indebtedness (a "Payment Default") or (ii) results in the acceleration of such Indebtedness prior to its express maturity and, in each case, the principal amount of such Indebtedness, together with the principal amount of any other Indebtedness as to which there has been a Payment Default or the maturity of which has been so accelerated, aggregates $10 million or more;

(f) a final judgment or final judgments for the payment of money are entered by a court or courts of competent jurisdiction against the Partnership or any of its Subsidiaries and such judgments are not paid, discharged or stayed for a period of 60 days, provided that the aggregate of all such undischarged judgments exceeds $10 million;

(g) except as otherwise permitted hereunder, the Subsidiary Guarantee shall be held in any judicial proceeding to be unenforceable or invalid or shall cease for any reason to be in full force and effect or the Guarantor (or its successors or assigns), or any Person acting on behalf of the Guarantor (or its successors or assigns), shall deny or disaffirm its obligations under the Subsidiary Guarantee;

(h) the Partnership breaches any material representation or warranty set forth in the Pledge Agreement, or default by the Partnership in the performance of any covenant set forth in the Pledge Agreement after applicable grace periods, or repudiation by the Partnership of its obligations under

the Pledge Agreement or the unenforceability of any material provision of the Pledge Agreement for any reason;

(i) the Partnership or any of its Subsidiaries pursuant to or within the meaning of any Bankruptcy Law:

(i) commences a voluntary case,

(ii) consents to the entry of an order for relief against it in an involuntary case,

(iii) consents to the appointment of a Custodian of it or for all or substantially all of its property,

(iv) makes a general assignment for the benefit of its creditors, or

(v) generally is not paying its debts as they become due; or

(j) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that:

(i) is for relief against the Partnership or any Subsidiary of the Partnership in an involuntary case,

(ii) appoints a Custodian of the Partnership or any Subsidiary of the Partnership or for all or substantially all of the property of the Partnership or any Subsidiary of the Partnership, or

(iii) orders the liquidation of the Partnership or any Subsidiary of the Partnership,

and the order or decree remains unstayed and in effect for 60 consecutive days.

A Default under clause (d) is not an Event of Default until the Trustee notifies the Issuers, or the Holders of at least 25% in principal amount of the then outstanding Senior Notes notify the Issuers and the Trustee, of the Default and the Issuers do not cure the Default within 60 days after receipt of the notice. The notice must specify the Default, demand that it be remedied and state that the notice is a "Notice of Default."

In the case of any Event of Default pursuant to the provisions of this Section 6.01 occurring by reason of any willful action (or inaction) taken (or not taken) by or on behalf of the Issuers with the intention of avoiding payment of the premium that the Issuers would have had to pay if the Issuers then had elected to redeem the Senior Notes pursuant to Section 3.07 hereof, an equivalent premium shall also become and be immediately due and payable to the extent permitted by law, anything in this Indenture or in the Senior Notes to the contrary notwithstanding. If an Event of Default occurs prior to June 15, 2001 by reason of any willful action (or inaction) taken (or not taken) by or on behalf of the Issuers with the intention of avoiding the prohibition on redemption of the Senior Notes prior to June 15, 2001 pursuant to Section 3.07 hereof, then the premium payable for purposes of this paragraph for each of the years beginning on June 15 of the years set forth below shall be as set forth in the following table expressed as a percentage of the amount that would otherwise be due but for the provisions of this sentence, plus accrued interest and Liquidated Damages, if any, to the date of payment:

Year	Percentage
1996	109.3750%
1997	108.4375%
1998	107.5000%
1999	106.5625%
2000	105.6250%

SECTION 6.02. ACCELERATION.

If an Event of Default (other than an Event of Default specified in clauses (i) and (j) of Section 6.01 hereof relating to either Issuer, any Significant Subsidiary or any group of Subsidiaries that, taken together, would constitute a Significant Subsidiary) occurs and is continuing, the Trustee by notice to the Issuers, or the Holders of at least 25% in principal amount of the then outstanding Senior Notes by written notice to the Issuers and the Trustee may declare the unpaid principal of, any accrued interest and Liquidated Damages, if any, on all the Senior Notes to be due and payable. Upon such declaration the principal, interest and Liquidated Damages, if any, shall be due and payable immediately (together with the premium referred to in Section 6.01 hereof, if applicable). If an Event of Default specified in clause (i) or (j) of Section 6.01 hereof relating to either Issuer, any Significant Subsidiary or any group of Subsidiaries that, taken together, would constitute a Significant Subsidiary occurs, such an amount shall ipso facto become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder. The Holders of a majority in principal amount of the then outstanding Senior Notes by written notice to the Trustee may rescind an acceleration and its consequences if the rescission would not conflict with any judgment or decree and if all existing Events of Default (except nonpayment of principal, interest or Liquidated Damages, if any, that has become due solely because of the acceleration) have been cured or waived.

SECTION 6.03. OTHER REMEDIES.

If an Event of Default occurs and is continuing, the Trustee may pursue any available remedy to collect the payment of principal of, premium, if any, interest and Liquidated Damages, if any, on the Senior Notes or to enforce the performance of any provision of the Senior Notes or this Indenture.

The Trustee may maintain a proceeding even if it does not possess any of the Senior Notes or does not produce any of them in the proceeding. A delay or omission by the Trustee or any Holder of a Senior Note in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. All remedies are cumulative to the extent permitted by law.

SECTION 6.04. WAIVER OF PAST DEFAULTS.

Holders of not less than a majority in aggregate principal amount of the Senior Notes then outstanding by notice to the Trustee may on behalf of the Holders of all of the Senior Notes waive an existing Default or Event of Default and its consequences hereunder, except a continuing Default or Event of Default in the payment of the principal of, premium, if any, interest or Liquidated Damages, if any, on the Senior Notes (including in connection with an offer to purchase) (provided, however, that the Holders of a majority in aggregate principal amount of the then outstanding Senior Notes may rescind an acceleration and its consequences, including any related payment default that resulted from such

acceleration). Upon any such waiver, such Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other Default or impair any right consequent thereon.

SECTION 6.05. CONTROL BY MAJORITY.

Holders of a majority in principal amount of the then outstanding Senior Notes may direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee or exercising any trust or power conferred on it. However, the Trustee may refuse to follow any direction that conflicts with law or this Indenture or that the Trustee determines may be unduly prejudicial to the rights of other Holders of Senior Notes or that may involve the Trustee in personal liability.

SECTION 6.06. LIMITATION ON SUITS.

A Holder of a Senior Note may pursue a remedy with respect to this Indenture or the Senior Notes only if:

(a) the Holder of a Senior Note gives to the Trustee written notice of a continuing Event of Default or the Trustee receives such notice from either Issuer;

(b) the Holders of at least 25% in principal amount of the then outstanding Senior Notes make a written request to the Trustee to pursue the remedy;

(c) such Holder of a Senior Note or Holders of Senior Notes offer and, if requested, provide to the Trustee indemnity satisfactory to the Trustee against any loss, liability or expense;

(d) the Trustee does not comply with the request within 60 days after receipt of the request and the offer and, if requested, the provision of indemnity; and

(e) during such 60-day period the Holders of a majority in principal amount of the then outstanding Senior Notes do not give the Trustee a direction inconsistent with the request; provided, however, that such provision does not affect the right of a Holder of a Senior Note to sue for enforcement of any overdue payment thereon.

A Holder of a Senior Note may not use this Indenture to prejudice the rights of another Holder of a Senior Note or to obtain a preference or priority over another Holder of a Senior Note.

SECTION 6.07. RIGHTS OF HOLDERS OF SENIOR NOTES TO RECEIVE PAYMENT.

Notwithstanding any other provision of this Indenture, the right of any Holder of a Senior Note to receive payment of principal of, premium, if any, interest, and Liquidated Damages, if any, on the Senior Note, on or after the respective due dates expressed in the Senior Note (including in connection with an Asset Sale Offer or a Change of Control Offer), or to bring suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such Holder.

SECTION 6.08. COLLECTION SUIT BY TRUSTEE.

If an Event of Default specified in Section 6.01(a) or (b) hereof occurs and is continuing, the Trustee is authorized to recover judgment in its own name and as trustee of an express trust against the Issuers for the whole amount of principal of, premium, if any, interest, and Liquidated Damages, if any, remaining unpaid on the Senior Notes and interest on overdue principal and, to the extent lawful, interest and such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

SECTION 6.09. TRUSTEE MAY FILE PROOFS OF CLAIM.

The Trustee is authorized to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and the Holders of the Senior Notes allowed in any judicial proceedings relative to the Issuers (or any other obligor upon the Senior Notes, including the Guarantor), its creditors or its property and shall be entitled and empowered to collect, receive and distribute any money or other property payable or deliverable on any such claims and any custodian in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee, and in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due to it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 7.07 hereof. To the extent that the payment of any such compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 7.07 hereof out of the estate in any such proceeding shall be denied for any reason, payment of the same shall be secured by a Lien on, and shall be paid out of, any and all distributions, dividends, money, securities and other properties that the Holders may be entitled to receive in such proceeding whether in liquidation or under any plan of reorganization or arrangement or otherwise. Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Senior Notes or the rights of any Holder, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

SECTION 6.10. PRIORITIES.

If the Trustee collects any money pursuant to this Article, it shall pay out the money in the following order:

First: to the Trustee, its agents and attorneys for amounts due under Section 7.07 hereof, including payment of all compensation, expenses and liabilities incurred, and all advances made, by the Trustee and the costs and expenses of collection;

Second: to Holders of Senior Notes for amounts due and unpaid on the Senior Notes for principal, premium, if any, interest, and Liquidated Damages, if any, ratably, without preference or priority of any kind, according to the amounts due and payable on the Senior Notes for principal, premium, if any, interest and Liquidated Damages, if any, respectively; and

Third: to the Partnership or to such party as a court of competent jurisdiction shall direct.

The Trustee may fix a record date and payment date for any payment to Holders of Senior Notes pursuant to this Section 6.10.

SECTION 6.11. UNDERTAKING FOR COSTS.

In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as a Trustee, a court in its discretion may require the filing by any party litigant in the suit of an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys' fees, against any party litigant in the suit, having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section does not apply to a suit by the Trustee, a suit by a Holder of a Senior Note pursuant to Section 6.07 hereof, or a suit by Holders of more than 10% in principal amount of the then outstanding Notes.

ARTICLE 7
TRUSTEE

SECTION 7.01. DUTIES OF TRUSTEE.

(a) If an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in its exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(b) Except during the continuance of an Event of Default:

(i) the duties of the Trustee shall be determined solely by the express provisions of this Indenture and the Trustee need perform only those duties that are specifically set forth in this Indenture and no others, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(ii) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture. However, the Trustee shall examine the certificates and opinions to determine whether or not they conform to the requirements of this Indenture.

(c) The Trustee may not be relieved from liabilities for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(i) this paragraph does not limit the effect of paragraph (b) of this Section;

(ii) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it is proved that the Trustee was negligent in ascertaining the pertinent facts; and

(iii) the Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 6.05 hereof.

(d) Whether or not therein expressly so provided, every provision of this Indenture that in any way relates to the Trustee is subject to paragraphs (a), (b), and (c) of this Section.

(e) No provision of this Indenture shall require the Trustee to expend or risk its own funds or incur any liability. The Trustee shall be under no obligation to exercise any of its rights and powers under this Indenture at the request of any Holders, unless such Holder shall have offered to the Trustee security and indemnity satisfactory to it against any loss, liability or expense.

(f) The Trustee shall not be liable for interest on any money received by it except as the Trustee may agree in writing with the Issuers. Money held in trust by the Trustee need not be segregated from other funds except to the extent required by law.

SECTION 7.02. RIGHTS OF TRUSTEE.

(a) The Trustee may conclusively rely upon any document believed by it to be genuine and to have been signed or presented by the proper Person. The Trustee need not investigate any fact or matter stated in the document.

(b) Before the Trustee acts or refrains from acting, it may require from either Issuer an Officers' Certificate or an Opinion of Counsel or both. The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on such Officers' Certificate or Opinion of Counsel. The Trustee may consult with counsel and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection from liability in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

(c) The Trustee may act through its attorneys and agents and shall not be responsible for the misconduct or negligence of any agent appointed with due care.

(d) The Trustee shall not be liable for any action it takes or omits to take in good faith that it believes to be authorized or within the rights or powers conferred upon it by this Indenture.

(e) Unless otherwise specifically provided in this Indenture, any demand, request, direction or notice from either Issuer shall be sufficient if signed by an Officer of the General Partner (in the case of the Partnership) or by an Officer of Finance Corp. (in the case of Finance Corp.)

(f) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders unless such Holders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities that might be incurred by it in compliance with such request or direction.

(g) Except with respect to Section 4.01 and 4.04 hereof, the Trustee shall have no duty to inquire as to the performance of the Issuers' covenants in Article 4 hereof. In addition, the Trustee shall not be deemed to have knowledge any Default or Event of Default except (i) any Event of Default occurring pursuant to Sections 6.01(1), 6.01(2) or 6.01(3) hereof or (ii) any Default or Event of Default of which the Trustee shall have received written notification or obtained actual knowledge.

SECTION 7.03. INDIVIDUAL RIGHTS OF TRUSTEE.

The Trustee in its individual or any other capacity may become the owner or pledgee of Senior Notes and may otherwise deal with either Issuer, the Guarantor or any Affiliate of either Issuer or the Guarantor with the same rights it would have if it were not Trustee. However, in the event that the Trustee acquires any conflicting interest it must eliminate such conflict within 90 days, apply to the SEC for permission to continue as trustee or resign. Any Agent may do the same with like rights and duties.
The Trustee is also subject to Sections 7.10 and 7.11 hereof.

SECTION 7.04. TRUSTEE'S DISCLAIMER.

The Trustee shall not be responsible for and makes no representation as to the validity or adequacy of this Indenture or the Senior Notes, it shall not be accountable for the Issuers' use of the proceeds from the Senior Notes or any money paid to the Issuers or upon the Issuers' direction under any provision of this Indenture, it shall not be responsible for the use or application of any money received by any Paying Agent other than the Trustee, and it shall not be responsible for any statement or recital herein or any statement in the Senior Notes or any other document in connection with the sale of the Senior Notes or pursuant to this Indenture other than its certificate of authentication.

SECTION 7.05. NOTICE OF DEFAULTS.

If a Default or Event of Default occurs and is continuing and if it is known to the Trustee, the Trustee shall mail to Holders of Senior Notes a notice of the Default or Event of Default within 90 days after it occurs. Except in the case of a Default or Event of Default in payment of principal of, premium, if any, or interest including Liquidated Damages on any Senior Note (including any failure to make any mandatory redemption payment required hereunder), the Trustee may withhold the notice if and so long as a committee of its Responsible Officers in good faith determines that withholding the notice is in the interests of the Holders of the Senior Notes.

SECTION 7.06. REPORTS BY TRUSTEE TO HOLDERS OF THE SENIOR NOTES.

Within 60 days after each May 15 beginning with the May 15 following the date of this Indenture, and for so long as Senior Notes remain outstanding, the Trustee shall mail to the Holders of the Senior Notes a brief report dated as of such reporting date that complies with TIA ss. 313(a) (but if no event described in TIA ss. 313(a) has occurred within the twelve months preceding the reporting date, no report need be transmitted). The Trustee also shall comply with TIA ss. 313(b)(2). The Trustee shall also transmit by mail all reports as required by TIA ss. 313(c).

A copy of each report at the time of its mailing to the Holders of Senior Notes shall be mailed to the Issuers and filed with the SEC and each stock exchange on which the Senior Notes are listed in accordance with TIA ss. 313(d). The Issuers shall promptly notify the Trustee when the Senior Notes are listed on any stock exchange.

SECTION 7.07. COMPENSATION AND INDEMNITY.

The Issuers and the Guarantor shall pay to the Trustee from time to time reasonable compensation for its acceptance of this Indenture and its services hereunder. The Trustee's compensation shall not be limited by any law on compensation of a trustee of an express trust. The Issuers and the Guarantor shall reimburse the Trustee promptly upon request for all reasonable disbursements, advances

and expenses incurred or made by it in addition to the compensation for its services. Such expenses shall include the reasonable compensation, disbursements and expenses of the Trustee's agents and counsel.

The Issuers and the Guarantor shall indemnify the Trustee against any and all losses, liabilities or expenses incurred by it arising out of or in connection with the acceptance or administration of its duties under this Indenture, including the costs and expenses of enforcing this Indenture against the Issuers and the Guarantor (including this Section 7.07), and defending itself against any claim (whether asserted by either Issuer, the Guarantor or any Holder or any other person) or liability in connection with the exercise or performance of any of its powers or duties hereunder, except to the extent any such loss, liability or expense may be attributable to its negligence or bad faith. The Trustee shall notify the Issuers promptly of any claim for which it may seek indemnity. Failure by the Trustee to so notify the Issuers shall not relieve the Issuers and the Guarantor of their obligations hereunder. The Issuers and the Guarantor shall defend the claim and the Trustee shall cooperate in the defense. The Trustee may have separate counsel and the Issuers and the Guarantor shall pay the reasonable fees and expenses of such counsel. The Issuers and the Guarantor need not pay for any settlement made without their consent, which consent shall not be unreasonably withheld.

The obligations of the Issuers and the Guarantor under this Section 7.07 shall survive the satisfaction and discharge of this Indenture.

To secure the Issuers' and the Guarantor's payment obligations in this Section, the Trustee shall have a Lien prior to the Senior Notes on all money or property held or collected by the Trustee, except that held in trust to pay principal and interest on particular Senior Notes. Such Lien shall survive the satisfaction and discharge of this Indenture.

When the Trustee incurs expenses or renders services after an Event of Default specified in Section 6.01(i) or (j) hereof occurs, the expenses and the compensation for the services (including the fees and expenses of its agents and counsel) are intended to constitute expenses of administration under any Bankruptcy Law.

The Trustee shall comply with the provisions of TIA ss. 313(b)(2) to the extent applicable.

SECTION 7.08. REPLACEMENT OF TRUSTEE.

A resignation or removal of the Trustee and appointment of a successor Trustee shall become effective only upon the successor Trustee's acceptance of appointment as provided in this Section.

The Trustee may resign in writing at any time and be discharged from the trust hereby created by so notifying the Issuers. The Holders of Senior Notes of a majority in principal amount of the then outstanding Senior Notes may remove the Trustee by so notifying the Trustee and the Issuers in writing. The Issuers may remove the Trustee if:

(a) the Trustee fails to comply with Section 7.10 hereof;

(b) the Trustee is adjudged a bankrupt or an insolvent or an order for relief is entered with respect to the Trustee under any Bankruptcy Law;

(c) a Custodian or public officer takes charge of the Trustee or its property; or

(d) the Trustee becomes incapable of acting.

If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason, the Issuers shall promptly appoint a successor Trustee. Within one year after the successor Trustee takes office, the Holders of a majority in principal amount of the then outstanding Senior Notes may appoint a successor Trustee to replace the successor Trustee appointed by the Issuers.

If a successor Trustee does not take office within 60 days after the retiring Trustee resigns or is removed, the retiring Trustee, the Issuers, the Guarantor, or the Holders of Senior Notes of at least 10% in principal amount of the then outstanding Senior Notes may petition any court of competent jurisdiction for the appointment of a successor Trustee.

If the Trustee, after written request by any Holder of a Senior Note who has been a Holder of a Senior Note for at least six months, fails to comply with Section 7.10 hereof, such Holder of a Senior Note may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to the Issuers. Thereupon, the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee shall have all the rights, powers and duties of the Trustee under this Indenture. The successor Trustee shall mail a notice of its succession to Holders of the Senior Notes. The retiring Trustee shall promptly transfer all property held by it as Trustee to the successor Trustee, provided all sums owing to the Trustee hereunder have been paid and subject to the Lien provided for in Section 7.07 hereof. Notwithstanding replacement of the Trustee pursuant to this Section 7.08, the Issuers' and the Guarantor's obligations under Section 7.07 hereof shall continue for the benefit of the retiring Trustee.

SECTION 7.09. SUCCESSOR TRUSTEE BY MERGER, ETC.

If the Trustee consolidates, merges or converts into, or transfers all or substantially all of its corporate trust business to, another corporation, the successor corporation without any further act shall be the successor Trustee.

SECTION 7.10. ELIGIBILITY; DISQUALIFICATION.

There shall at all times be a Trustee hereunder that is a corporation organized and doing business under the laws of the United States of America or of any state thereof that is authorized under such laws to exercise corporate trustee power, that is subject to supervision or examination by federal or state authorities and that has a combined capital and surplus of at least $50 million as set forth in its most recent published annual report of condition.

This Indenture shall always have a Trustee who satisfies the requirements of TIA ss. 310(a)(1), (2) and (5). The Trustee is subject to TIA ss. 310(b).

SECTION 7.11. PREFERENTIAL COLLECTION OF CLAIMS AGAINST ISSUERS.

The Trustee is subject to TIA ss. 311(a), excluding any creditor relationship listed in TIA ss. 311(b). A Trustee who has resigned or been removed shall be subject to TIA ss. 311(a) to the extent indicated therein.

ARTICLE 8
LEGAL DEFEASANCE AND COVENANT DEFEASANCE

SECTION 8.01. OPTION TO EFFECT LEGAL DEFEASANCE OR COVENANT DEFEASANCE.

The Issuers may, at the option of the Board of Directors and the Board of Directors of Finance Corp. evidenced in each case by a resolution set forth in an Officers' Certificate, at any time elect to have either Section 8.02 or 8.03 hereof be applied to all outstanding Senior Notes upon compliance with the conditions set forth below in this Article 8.

SECTION 8.02. LEGAL DEFEASANCE AND DISCHARGE.

Upon the Issuers' exercise under Section 8.01 hereof of the option applicable to this Section 8.02, each of the Issuers and the Guarantor shall, subject to the satisfaction of the conditions set forth in Section 8.04 hereof, be deemed to have been discharged from its obligations with respect to all outstanding Senior Notes and Subsidiary Guarantee on the date the conditions set forth below are satisfied (hereinafter, "Legal Defeasance"). For this purpose, Legal Defeasance means that the Issuers shall be deemed to have paid and discharged the entire Indebtedness represented by the outstanding Senior Notes, which shall thereafter be deemed to be "outstanding" only for the purposes of Section 8.05 hereof and the other Sections of this Indenture referred to in (a) and (b) below, and to have satisfied all their other obligations under such Senior Notes and this Indenture (and the Trustee, on demand of and at the expense of the Issuers, shall execute proper instruments acknowledging the same), except for the following provisions which shall survive until otherwise terminated or discharged hereunder: (a) the rights of Holders of outstanding Senior Notes to receive solely from the trust fund described in Section 8.04 hereof, and as more fully set forth in such Section, payments in respect of the principal of, premium, if any, and interest including Liquidated Damages, if any, on such Senior Notes when such payments are due, (b) the Issuers' and Guarantor's obligations with respect to such Senior Notes under Article 2 and Section 4.02 hereof, (c) the rights, powers, trusts, duties and immunities of the Trustee hereunder and the Issuers' and the Guarantor's obligations in connection therewith and (d) this Article 8. Subject to compliance with this Article 8, the Issuers may exercise their option under this Section 8.02 notwithstanding the prior exercise of its option under Section 8.03 hereof.

SECTION 8.03. COVENANT DEFEASANCE.

Upon the Issuers' exercise under Section 8.01 hereof of the option applicable to this Section 8.03, each of the Issuers and the Guarantor shall, subject to the satisfaction of the conditions set forth in Section 8.04 hereof, be released from its obligations under the covenants contained in Sections 4.07, 4.08, 4.09, 4.10, 4.11, 4.12, 4.13, 4.14, 4.16, 4.17, 4.18 and 5.01 hereof with respect to the outstanding Senior Notes and the Subsidiary Guarantee on and after the date the conditions set forth below are satisfied (hereinafter, "Covenant Defeasance"), and the Senior Notes shall thereafter be deemed not "outstanding" for the purposes of any direction, waiver, consent or declaration or act of Holders (and the consequences of any thereof) in connection with such covenants, but shall continue to be deemed "outstanding" for all other purposes hereunder (it being understood that such Senior Notes shall not be deemed outstanding for accounting purposes). For this purpose, Covenant Defeasance means that, with respect to the outstanding Senior Notes, the Issuers may omit to comply with and shall have no liability in respect of any term, condition or limitation set forth in any such covenant, whether directly or indirectly, by reason of any reference elsewhere herein to any such covenant or by reason of any reference in any such covenant to any other provision herein or in any other document and such omission to comply shall not constitute a Default or an Event of Default under Section 6.01 hereof, but, except

as specified above, the remainder of this Indenture, such Senior Notes and the Subsidiary Guarantee shall be unaffected thereby. In addition, upon the Issuers' exercise under Section 8.01 hereof of the option applicable to this Section 8.03 hereof, subject to the satisfaction of the conditions set forth in Section 8.04 hereof, Sections 6.01(e) and 6.01(f) hereof shall not constitute Events of Default.

SECTION 8.04. CONDITIONS TO LEGAL OR COVENANT DEFEASANCE.

The following shall be the conditions to the application of either Section 8.02 or 8.03 hereof to the outstanding Senior Notes:

In order to exercise either Legal Defeasance or Covenant Defeasance:

(a) the Issuers or the Guarantor shall irrevocably have deposited or caused to be deposited with the Trustee as trust funds in trust for the purpose of making the following payments, specifically pledged as security for, and dedicated solely to, the benefit of the Holders of such Senior Notes, (i) cash in U.S. Dollars in an amount, or (ii) non-callable Government Securities which through the scheduled payment of principal and interest in respect thereof in accordance with their terms will provide, not later than one day before the due date of any payment, cash in U.S. Dollars in an amount, or (iii) a combination thereof, in such amounts, as will be sufficient, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, to pay and discharge and which shall be applied by the Trustee (or other qualifying trustee) to pay and discharge (A) the principal of, premium, if any, interest, including Liquidated Damages, if any, on the outstanding Senior Notes on the stated maturity or on the applicable redemption date, as the case may be, of such principal or installment of principal, premium, if any, or interest including Liquidated Damages, if any, and (B) any mandatory sinking fund payments or analogous payments applicable to the outstanding Senior Notes on the day on which such payments are due and payable in accordance with the terms of this Indenture and of such Senior Notes; provided that the Trustee shall have been irrevocably instructed to apply such money or the proceeds of such non-callable Government Securities to said payments with respect to the Senior Notes;

(b) in the case of an election under Section 8.02 hereof, the Issuers or the Guarantor shall have delivered to the Trustee an Opinion of Counsel (which counsel may be an employee of either Issuer or any Subsidiary of either Issuer) reasonably acceptable to the Trustee confirming that (i) the Issuers have received from, or there has been published by, the Internal Revenue Service a ruling or (ii) since the date of this Indenture, there has been a change in the applicable federal income tax law, in either case to the effect that, and based thereon such Opinion of Counsel shall confirm that, the Holders of the outstanding Senior Notes will not recognize income, gain or loss for federal income tax purposes as a result of such Legal Defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(c) in the case of an election under Section 8.03 hereof, the Issuers or the Guarantor shall have delivered to the Trustee an Opinion of Counsel (which counsel may be an employee of either Issuer or any Subsidiary of either Issuer) reasonably acceptable to the Trustee confirming that the Holders of the outstanding Senior Notes will not recognize income, gain or loss for federal income tax purposes as a result of such Covenant Defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(d) no Event of Default shall have occurred and be continuing on the date of such deposit or, insofar as Sections 6.01(i) or 6.01(j) hereof is concerned, at any time in the period ending on the 91st day after the date of deposit (or greater period of time in which any such deposit of trust funds may remain subject to Bankruptcy Law insofar as those apply to the deposit by the Issuers);

(e) such Legal Defeasance or Covenant Defeasance shall not result in a breach or violation of, or constitute a default under, any material agreement or instrument (other than this Indenture) to which either Issuer or any of their Subsidiaries is a party or by which either Issuer or any of their Subsidiaries is bound;

(f) the Issuers or the Guarantor shall have delivered to the Trustee an opinion of counsel to the effect that after the 91st day following the deposit, the trust funds will not be subject to the effect of any applicable bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally;

(g) the Issuers or the Guarantor shall have delivered to the Trustee an Officers' Certificate stating that the deposit was not made by the Issuers or the Guarantor with the intent of preferring the Holders over any other creditors of the Issuers or the Guarantor or with the intent of defeating, hindering, delaying or defrauding any other creditors of the Issuers or others; and

(h) the Issuers or the Guarantor shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent provided for or relating to the Legal Defeasance or the Covenant Defeasance have been complied with as contemplated hereby.

SECTION 8.05. DEPOSITED MONEY AND GOVERNMENT SECURITIES TO BE HELD IN TRUST; OTHER MISCELLANEOUS PROVISIONS.

Subject to Section 8.06 hereof, all money and non-callable Government Securities (including the proceeds thereof) deposited with the Trustee (or other qualifying trustee, collectively for purposes of this Section 8.05, the "Trustee") pursuant to Section 8.04 hereof in respect of the outstanding Senior Notes shall be held in trust and applied by the Trustee, in accordance with the provisions of such Senior Notes and this Indenture, to the payment, either directly or through any Paying Agent (including either Issuer acting as Paying Agent) as the Trustee may determine, to the Holders of such Senior Notes of all sums due and to become due thereon in respect of principal, premium, if any, and interest, including Liquidated Damages, if any, but such money need not be segregated from other funds except to the extent required by law.

The Issuers and the Guarantor shall pay and indemnify the Trustee against any tax, fee or other charge imposed on or assessed against the cash or non-callable Government Securities deposited pursuant to Section 8.04 hereof or the principal and interest received in respect thereof other than any such tax, fee or other charge which by law is for the account of the Holders of the outstanding Senior Notes.

Anything in this Article Eight to the contrary notwithstanding, the Trustee shall deliver or pay to the Issuers from time to time upon the request of the Issuers any money or non-callable Government Securities held by it as provided in Section 8.04 hereof which, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee (which may be the opinion delivered under Section 8.04(a) hereof), are in excess of the amount thereof that would then be required to be deposited to effect an equivalent Legal Defeasance or Covenant Defeasance.

SECTION 8.06. REPAYMENT TO ISSUERS.

Any money deposited with the Trustee or any Paying Agent, or then held by the Issuers, in trust for the payment of the principal of, premium, if any, interest or Liquidated Damages, if any, on any Senior Note and remaining unclaimed for two years after such principal, and premium, if any, interest or Liquidated Damages, if any, have become due and payable shall be paid to the Issuers on its request or (if then held by the Issuers) shall be discharged from such trust; and the Holder of such Senior Note shall thereafter, as an unsecured general creditor, look only to the Issuers for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Issuers as trustee thereof, shall thereupon cease; provided, however, that the Trustee or such Paying Agent, before being required to make any such repayment, may at the expense of the Issuers cause to be published once, in the New York Times and The Wall Street Journal (national edition), notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such notification or publication, any unclaimed balance of such money then remaining will be repaid to the Issuers.

SECTION 8.07. REINSTATEMENT.

If the Trustee or Paying Agent is unable to apply any United States dollars or non-callable Government Securities in accordance with Section 8.02 or 8.03 hereof, as the case may be, by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, then the Issuers' and the Guarantor's obligations under this Indenture, the Senior Notes and the Subsidiary Guarantee shall be revived and reinstated as though no deposit had occurred pursuant to Section 8.02 or 8.03 hereof until such time as the Trustee or Paying Agent is permitted to apply all such money in accordance with Section 8.02 or 8.03 hereof, as the case may be; provided, however, that, if the Issuers and the Guarantor make any payment of principal of, premium, if any, interest or Liquidated Damages, if any, on any Senior Note following the reinstatement of its obligations, the Issuers and the Guarantor shall be subrogated to the rights of the Holders of such Senior Notes to receive such payment from the money held by the Trustee or Paying Agent.

ARTICLE 9
AMENDMENT, SUPPLEMENT AND WAIVER

SECTION 9.01. WITHOUT CONSENT OF HOLDERS OF SENIOR NOTES.

Notwithstanding Section 9.02 of this Indenture, the Issuers, the Guarantor and the Trustee may amend or supplement this Indenture or the Senior Notes or the Subsidiary Guarantee or the Pledge Agreement without the consent of any Holder of a Senior Note:

(a) to cure any ambiguity, defect or inconsistency;

(b) to provide for uncertificated Senior Notes in addition to or in place of certificated Senior Notes;

(c) to provide for the assumption of the Partnership's, Finance Corp.'s or the Guarantor's obligations to the Holders of the Senior Notes in the case of a merger or consolidation pursuant to Article 5 or Article 12 hereof, as the case may be;

(d) to make any change that would provide any additional rights or benefits to the Holders of the Senior Notes or that does not adversely affect the legal rights hereunder of any Holder of the Senior Note; or

(e) to comply with requirements of the SEC in order to effect or maintain the qualification of this Indenture under the TIA.

Upon the request of the Issuers accompanied by a resolution of the Board of Directors of each of the General Partner and Finance Corp. authorizing the execution of any such amended or supplemental Indenture, and upon receipt by the Trustee of the documents described in Section 7.02 hereof, the Trustee shall join with the Issuers and the Guarantor in the execution of any amended or supplemental Indenture authorized or permitted by the terms of this Indenture and make any further appropriate agreements and stipulations that may be therein contained, but the Trustee shall not be obligated to enter into such amended or supplemental Indenture that affects its own rights, duties or immunities under this Indenture or otherwise.

SECTION 9.02. WITH CONSENT OF HOLDERS OF SENIOR NOTES.

Except as provided below in this Section 9.02, the Issuers, the Guarantor and the Trustee may amend or supplement this Indenture or the Senior Notes or the Subsidiary Guarantee or the Pledge Agreement with the written consent of the Holders of at least a majority in principal amount of the Senior Notes then outstanding (including consents obtained in connection with a tender offer or exchange offer for the Senior Notes), and, subject to Sections 6.04 and 6.07 hereof, any existing Default or Event of Default (other than a Default or Event of Default in the payment of the principal of, premium, if any, interest or Liquidated Damages, if any, on the Senior Notes, except a payment default resulting from an acceleration that has been rescinded) or compliance with any provision of this Indenture or the Senior Notes may be waived with the consent of the Holders of a majority in principal amount of the then outstanding Senior Notes (including consents obtained in connection with a tender offer or exchange offer for the Senior Notes).

Upon the request of the Issuers accompanied by a resolution of the Board of Directors of each of the General Partner and Finance Corp. authorizing the execution of any such amended or supplemental Indenture, and upon the filing with the Trustee of evidence satisfactory to the Trustee of the consent of the Holders of Senior Notes as aforesaid, and upon receipt by the Trustee of the documents described in Section 7.02 hereof, the Trustee shall join with the Issuers and the Guarantor in the execution of such amended or supplemental Indenture unless such amended or supplemental Indenture affects the Trustee's own rights, duties or immunities under this Indenture or otherwise, in which case the Trustee may in its discretion, but shall not be obligated to, enter into such amended or supplemental Indenture.

It shall not be necessary for the consent of the Holders of Senior Notes under this Section 9.02 to approve the particular form of any proposed amendment or waiver, but it shall be sufficient if such consent approves the substance thereof.

After an amendment, supplement or waiver under this Section becomes effective, the Issuers shall mail to the Holders of Senior Notes affected thereby a notice briefly describing the amendment, supplement or waiver. Any failure of the Issuers to mail such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such amended or supplemental Indenture or waiver. Subject to Sections 6.04 and 6.07 hereof, the Holders of a majority in aggregate principal amount of the Senior Notes then outstanding may waive compliance in a particular instance by the Issuers

or the Guarantor with any provision of this Indenture, the Senior Note, the Pledge Agreement or the Subsidiary Guarantee. However, without the consent of each Holder affected, an amendment or waiver may not (with respect to any Senior Notes held by a non-consenting Holder):

(a) reduce the principal amount of Senior Notes whose Holders must consent to an amendment, supplement or waiver;

(b) reduce the principal of or change the fixed maturity of any Senior Note or alter any of the provisions with respect to the redemption of the Senior Notes (other than provisions of Section 4.10 and Section 4.14 hereof);

(c) reduce the rate of or change the time for payment of interest, including default interest and Liquidated Damages, if any, on any Senior Note;

(d) waive a Default or Event of Default in the payment of principal of, premium, if any, interest or Liquidated Damages, if any, on the Senior Notes (except a rescission of acceleration of the Senior Notes by the Holders of at least a majority in aggregate principal amount of the then outstanding Senior Notes and a waiver of the payment default that resulted from such acceleration);

(e) make any Senior Note payable in money other than that stated in the Senior Notes;

(f) make any change in Section 6.04 or 6.07 hereof or in the provisions of this Indenture relating to the rights of Holders of Senior Notes to receive payments of principal of, premium, if any, interest or Liquidated Damages, if any, on the Senior Notes;

(g) waive a redemption payment with respect to any Senior Note (other than a payment required by Section 4.10 or Section 4.14 hereof);

(h) except as otherwise permitted in this Indenture, release the Guarantor from its obligations under the Subsidiary Guarantee or change the Subsidiary Guarantee in any manner that adversely affects Holders;

(i) release all or substantially all of the Pledged Collateral from the Lien of the Indenture and the Pledge Agreement; or

(j) make any change in this sentence of this Section 9.02.

SECTION 9.03. COMPLIANCE WITH TRUST INDENTURE ACT.

Every amendment or supplement to this Indenture or the Senior Notes shall be set forth in an amended or supplemental Indenture that complies with the TIA as then in effect.

SECTION 9.04. REVOCATION AND EFFECT OF CONSENTS.

Until an amendment, supplement or waiver becomes effective, a consent to it by a Holder of a Senior Note is a continuing consent by the Holder of a Senior Note and every subsequent Holder of a Senior Note or portion of a Senior Note that evidences the same debt as the consenting Holder's Senior Note, even if notation of the consent is not made on any Senior Note. However, any such Holder of a Senior Note or subsequent Holder of a Senior Note may revoke the consent as to its Senior Note if the

Trustee receives written notice of revocation before the date the waiver, supplement or amendment becomes effective. An amendment, supplement or waiver becomes effective in accordance with its terms and thereafter binds every Holder.

SECTION 9.05. NOTATION ON OR EXCHANGE OF SENIOR NOTES.

The Trustee may place an appropriate notation about an amendment, supplement or waiver on any Senior Note thereafter authenticated. The Issuers in exchange for all Senior Notes may issue and the Trustee shall authenticate new Senior Notes (accompanied by a notation of the Subsidiary Guarantee duly endorsed by the Guarantor) that reflect the amendment, supplement or waiver.

Failure to make the appropriate notation or issue a new Senior Note shall not affect the validity and effect of such amendment, supplement or waiver.

SECTION 9.06. TRUSTEE TO SIGN AMENDMENTS, ETC.

The Trustee shall sign any amended or supplemental Indenture authorized pursuant to this Article 9 if the amendment or supplement does not adversely affect the rights, duties, liabilities or immunities of the Trustee. The Issuers and the Guarantor may not sign an amendment or supplemental Indenture until the Board of Directors of each of the General Partner and Finance Corp. approves it. In executing any amended or supplemental indenture, the Trustee shall be entitled to receive and (subject to Section 7.01 hereof) shall be fully protected in relying upon, an Officer's Certificate and an Opinion of Counsel stating that the execution of such amended or supplemental indenture is authorized or permitted by this Indenture.

ARTICLE 10
COLLATERAL AND SECURITY

SECTION 10.01. PLEDGE AGREEMENT.

The due and punctual payment of the principal of, premium, if any, interest, and Liquidated Damages, if any, on the Senior Notes when and as the same shall be due and payable, whether at maturity, by acceleration, repurchase or otherwise, and interest on the overdue principal of, premium, if any, interest, and Liquidated Damages, if any, on the Senior Notes and performance of all other obligations of the Issuers to the Holders of Senior Notes or the Trustee under this Indenture and the Senior Notes, according to the terms hereunder or thereunder, shall be secured as provided in the Pledge Agreement that the Partnership and the General Partner have entered into simultaneously with the execution of this Indenture. Each Holder of Senior Notes, by its acceptance thereof, consents and agrees to the terms of the Pledge Agreement (including, without limitation, the provisions providing for foreclosure and release of Pledged Collateral) as the same may be in effect or may be amended from time to time in accordance with its terms and authorizes and directs the Collateral Agent to enter into the Pledge Agreement and to perform its obligations and exercise its rights thereunder in accordance therewith. The Partnership shall deliver to the Trustee copies of all documents delivered to the Collateral Agent pursuant to the Pledge Agreement, and shall do or cause to be done all such acts and things as may be necessary or proper, or as may be required by the provisions of the Pledge Agreement, to assure and confirm to the Trustee and the Collateral Agent the security interest in the Pledged Collateral contemplated hereby, by the Pledge Agreement or any part thereof, as from time to time constituted, so as to render the same available for the security and benefit of this Indenture and of the Senior Notes

secured hereby, according to the intent and purposes herein expressed. The Partnership shall take, or shall cause its Subsidiaries to take, upon request of the Trustee, any and all actions reasonably required to cause the Pledge Agreement to create and maintain, as security for the Obligations of the Issuers hereunder, a valid and enforceable perfected first priority Lien in and on all the Pledged Collateral, in favor of the Collateral Agent for the benefit of the Holders of Senior Notes, superior to and prior to the rights of all third Persons and subject to no other Liens, other than as permitted by the Pledge Agreement.

SECTION 10.02. RECORDING AND OPINIONS.

(a) The Partnership shall furnish to the Trustee simultaneously with the execution and delivery of this Indenture an Opinion of Counsel either (i) stating that in the opinion of such counsel all action has been taken with respect to the recording, registering and filing of this Indenture, financing statements or other instruments necessary to make effective the Lien intended to be created by the Pledge Agreement, and reciting with respect to the security interests in the Pledged Collateral, the details of such action, or (ii) stating that, in the opinion of such counsel, no such action is necessary to make such Lien effective.

(b) The Partnership shall furnish to the Collateral Agent and the Trustee on April 26 in each year beginning with April 26, 1996, an Opinion of Counsel, dated as of such date, either (i) (A) stating that, in the opinion of such counsel, action has been taken with respect to the recording, registering, filing, re-recording, re-registering and refiling of all supplemental indentures, financing statements, continuation statements or other instruments of further assurance as is necessary to maintain the Lien of the Pledge Agreement and reciting with respect to the security interests in the Pledged Collateral the details of such action or referring to prior Opinions of Counsel in which such details are given and (B) stating that, based on relevant laws as in effect on the date of such Opinion of Counsel, all financing statements and continuation statements have been executed and filed that are necessary as of such date and during the succeeding 12 months fully to preserve and protect, to the extent such protection and preservation are possible by filing, the rights of the Holders of Senior Notes and the Collateral Agent and the Trustee hereunder and under the Pledge Agreement with respect to the security interests in the Pledged Collateral, or (ii) stating that, in the opinion of such counsel, no such action is necessary to maintain such Lien.

(c) The Issuers shall otherwise comply with the provisions of TIA ss.314(b). SECTION 10.03. RELEASE OF COLLATERAL.

(a) Subject to subsections (b), (c) and (d) of this Section 10.03, Pledged Collateral may be released from the Lien and security interest created by the Pledge Agreement at any time or from time to time in accordance with the provisions of the Pledge Agreement or as provided hereby.

(b) No Pledged Collateral shall be released from the Lien and security interest created by the Pledge Agreement pursuant to the provisions of the Pledge Agreement unless there shall have been delivered to the Collateral Agent an Officers' Certificate certifying that all conditions precedent hereunder have been met. Upon receipt of such Officers' Certificate the Collateral Agent shall execute, deliver or acknowledge any necessary or proper instruments of termination, satisfaction or release to evidence the release of any Pledged Collateral permitted to be released pursuant to this Indenture or the Pledge Agreement.

(c) At any time when an Event of Default shall have occurred and be continuing and the maturity of the Senior Notes shall have been accelerated (whether by declaration or otherwise) and the Trustee shall have delivered a notice of acceleration to the Collateral Agent, no release of Pledged Collateral pursuant to the provisions of the Pledge Agreement shall be effective as against the Holders of Senior Notes.

(d) The release of any Pledged Collateral from the terms of this Indenture and the Pledge Agreement shall not be deemed to impair the security under this Indenture in contravention of the provisions hereof if and to the extent the Pledged Collateral is released pursuant to the terms hereof or of the Pledge Agreement. To the extent applicable, the Issuers shall cause TIA ss. 313(b), relating to reports, and TIA ss. 314(d), relating to the release of property or securities from the Lien and security interest of the Pledge Agreement and relating to the substitution therefor of any property or securities to be subjected to the Lien and security interest of the Pledge Agreement, to be complied with. Any certificate or opinion required by TIA ss. 314(d) may be made by an Officer of the General Partner, on behalf of the Partnership, except in cases where TIA ss. 314(d) requires that such certificate or opinion be made by an independent Person, which Person shall be an independent engineer, appraiser or other expert selected or approved by the Trustee and the Collateral Agent in the exercise of reasonable care.

SECTION 10.04. CERTIFICATES OF THE ISSUERS.

The Issuers shall furnish to the Trustee and the Collateral Agent, prior to each proposed release of Pledged Collateral pursuant to the Pledge Agreement, (i) all documents required by TIA ss.314(d) and (ii) an Opinion of Counsel, which may be rendered by internal counsel to the Issuers, to the effect that such accompanying documents constitute all documents required by TIA ss.314(d). The Trustee may, to the extent permitted by Sections 7.01 and 7.02 hereof, accept as conclusive evidence of compliance with the foregoing provisions the appropriate statements contained in such documents and such Opinion of Counsel.

SECTION 10.05. CERTIFICATES OF THE TRUSTEE.

In the event that the Partnership wishes to release Pledged Collateral in accordance with the Pledge Agreement and has delivered the certificates and documents required by the Pledge Agreement and Sections 10.03 and 10.04 hereof, the Trustee shall determine whether it has received all documentation required by TIA ss.314(d) in connection with such release and, based on such determination and the Opinion of Counsel delivered pursuant to Section 10.04, shall deliver a certificate to the Collateral Agent setting forth such determination.

SECTION 10.06. AUTHORIZATION OF ACTIONS TO BE TAKEN BY THE TRUSTEE UNDER THE PLEDGE AGREEMENT.

Subject to the provisions of Section 7.01 and 7.02 hereof, the Trustee may, in its sole discretion and without the consent of the Holders of Senior Notes, direct, on behalf of the Holders of Senior Notes, the Collateral Agent to, take all actions it deems necessary or appropriate in order to (a) enforce any of the terms of the Pledge Agreement and (b) collect and receive any and all amounts payable in respect of the Obligations of the Issuers hereunder. The Trustee shall have power to institute and maintain such suits and proceedings as it may deem expedient to prevent any impairment of the Pledged Collateral by any acts that may be unlawful or in violation of the Pledge Agreement or this Indenture, and such suits and proceedings as the Trustee may deem expedient to preserve or protect its interests and the interests of the Holders of Senior Notes in the Pledged Collateral (including power to institute and maintain suits

or proceedings to restrain the enforcement of or compliance with any legislative or other governmental enactment, rule or order that may be unconstitutional or otherwise invalid if the enforcement of, or compliance with, such enactment, rule or order would impair the security interest hereunder or be prejudicial to the interests of the Holders of Senior Notes or of the Trustee).

SECTION 10.07. AUTHORIZATION OF RECEIPT OF FUNDS BY THE TRUSTEE UNDER THE PLEDGE AGREEMENT.

The Trustee is authorized to receive any funds for the benefit of the Holders of Senior Notes distributed under the Pledge Agreement, and to make further distributions of such funds to the Holders of Senior Notes according to the provisions of this Indenture.

SECTION 10.08. TERMINATION OF SECURITY INTEREST.

Upon the payment in full of all Obligations of the Issuers under this Indenture and the Senior Notes, or upon Legal Defeasance, the Trustee shall, at the request of the Issuers deliver a certificate to the Collateral Agent stating that such Obligations have been paid in full, and instruct the Collateral Agent to release the Liens pursuant to this Indenture and the Pledge Agreement.

ARTICLE 11
SUBORDINATION OF SUBSIDIARY GUARANTEE

SECTION 11.01. SUBSIDIARY GUARANTEE OBLIGATIONS SUBORDINATED TO SENIOR OPERATING PARTNERSHIP INDEBTEDNESS.

The Issuers and the Operating Partnership agree and each Holder by accepting a Senior Note agrees that:

(a) to the extent and in the manner hereinafter set forth in this Article 11, the Subsidiary Guarantee Obligations are hereby expressly made subordinate and subject in right of payment to the prior payment in full in cash or Cash Equivalents of all Senior Operating Partnership Indebtedness;

(b) the subordination set forth in this Indenture is for the benefit of the lenders under the Senior Operating Partnership Credit Agreement and other holders of Senior Operating Partnership Indebtedness; and

(c) each holder of Senior Operating Partnership Indebtedness whether now outstanding or hereafter created, incurred, assumed or guaranteed shall be deemed to have extended or acquired such Senior Operating Partnership Indebtedness in reliance upon the covenants and provisions contained in this Indenture.

SECTION 11.02. SUBORDINATION OF SUBSIDIARY GUARANTEE UPON INSOLVENCY OR LIQUIDATION PROCEEDINGS.

In the event of any Insolvency or Liquidation Proceeding:

(a) Upon any payment or distribution of assets or securities of any kind or character, whether in cash, securities or other property, all Senior Operating Partnership Indebtedness shall first be paid in

full in cash or Cash Equivalents before the Holders of the Senior Notes are entitled to receive any payment or distribution of any cash, securities or other property on account of principal of or interest on or other amounts constituting Subsidiary Guarantee Obligations (except that so long as the Subsidiary Guarantee Obligations are not treated in any Insolvency or Liquidation Proceeding as part of the same class of claims as the Senior Operating Partnership Indebtedness or any class of claim on a parity with or senior to the Senior Operating Partnership Indebtedness for any payment or distribution, the Holders of the Senior Notes may receive securities that are (i) subordinated at least to the same extent as are the Subsidiary Guarantee Obligations to (a) Senior Operating Partnership Indebtedness and (b) any securities issued in exchange for Senior Operating Partnership Indebtedness and (ii) authorized by an order or decree of a court of competent jurisdiction in an Insolvency or Liquidation Proceeding which gives effect to the subordination of the Subsidiary Guarantee Obligations to Senior Operating Partnership Indebtedness in a manner and with an effect which would be required if this parenthetical clause were not included in this paragraph; provided that the Senior Operating Partnership Indebtedness is assumed by the new corporation, partnership or other entity, if any, resulting from any such reorganization or readjustment and issuing such securities);

(b) The holders of Senior Operating Partnership Indebtedness shall be entitled to receive directly (pro rata on the basis of the respective amounts of Senior Operating Partnership Indebtedness held by them), for application to the payment thereof (to the extent necessary to pay all such Senior Operating Partnership Indebtedness in full after giving effect to any substantially concurrent payment to the holders of such Senior Operating Partnership Indebtedness), any payment or distribution of any kind or character, whether in cash, securities or other property (including any payment or distribution which may be payable or deliverable by reason of the payment of any other Indebtedness of the Operating Partnership being subordinated to the payment of the Subsidiary Guarantee Obligations) which may be payable or deliverable in respect of the Subsidiary Guarantee Obligations in any such Insolvency or Liquidation Proceeding.

(c) In the event that, notwithstanding the foregoing provisions of this Section 11.02, the Holders of the Senior Notes shall have received any payment from or distribution of assets or securities of the Operating Partnership or the estate created by the commencement of any such Insolvency or Liquidation Proceeding, of any kind or character in respect of the Subsidiary Guarantee Obligations, whether in cash, securities or other property (including any payment or distribution which may be payable or deliverable by reason of the payment of any other Indebtedness of the Operating Partnership being subordinated to the payment of the Subsidiary Guarantee Obligations) before all Senior Operating Partnership Indebtedness is paid in full, then and in such event such payment or distribution shall be received and held in trust for and shall be paid over or delivered to the holders of the Senior Operating Partnership Indebtedness remaining unpaid (pro rata on the basis of the respective amounts of such Senior Operating Partnership Indebtedness held by them), to the extent necessary to pay all such Senior Operating Partnership Indebtedness in full after giving effect to any substantially concurrent payment to the holders of such Senior Operating Partnership Indebtedness, for application to the payment in full of such Senior Operating Partnership Indebtedness (except that so long as the Subsidiary Guarantee Obligations are not treated in any Insolvency or Liquidation Proceeding as part of the same class of claims as the Senior Operating Partnership Indebtedness or any class of claim on a parity with or senior to the Senior Operating Partnership Indebtedness for any payment or distribution, the Holders of the Senior Notes may receive securities that are (i) subordinated at least to the same extent as are the Subsidiary Guarantee Obligations to (a) Senior Operating Partnership Indebtedness and (b) any securities issued in exchange for Senior Operating Partnership Indebtedness and (ii) authorized by an order or decree of a court of competent jurisdiction in an Insolvency or Liquidation Proceeding which gives effect to the subordination of the Subsidiary Guarantee Obligations to Senior Operating Partnership Indebtedness

in a manner and with an effect which would be required if this parenthetical clause were not included in this paragraph; provided that the Senior Operating Partnership Indebtedness is assumed by the new corporation, partnership or other entity, if any, resulting from any such reorganization or readjustment and issuing such securities);

SECTION 11.03. NO PAYMENT ON SUBSIDIARY GUARANTEE OBLIGATIONS IN CERTAIN CIRCUMSTANCES.

(a) Upon the maturity of any Senior Operating Partnership Indebtedness, by lapse of time, acceleration or otherwise (including the time of due payment (including any mandatory prepayment) of any principal or interest), all principal, thereof and interest thereon and other amounts constituting Senior Operating Partnership Indebtedness shall first be paid in full in cash or Cash Equivalents before any payment or distribution is made by or on behalf of the Operating Partnership on account of principal of or interest on or other amounts constituting Subsidiary Guarantee Obligations (except that Holders of Senior Notes may receive securities that are subordinated to at least the same extent as the Subsidiary Guarantee to (a) Senior Operating Partnership Indebtedness and (b) any securities issued in exchange for Senior Operating Partnership Indebtedness);

(b) Upon the happening and continuing of any default in respect of the payment of any Senior Operating Partnership Indebtedness (a "Payment Default"), no direct or indirect payment or distribution shall be made by the Operating Partnership on account of the principal of or interest on or other amounts constituting Subsidiary Guarantee Obligations (other than securities that are subordinated to at least the same extent as the Subsidiary Guarantee to (a) Senior Operating Partnership Indebtedness and (b) any securities issued in exchange for Senior Operating Partnership Indebtedness), unless and until (i) such Payment Default shall have been cured or waived by the holders of the respective Senior Operating Partnership Indebtedness or shall have ceased to exist or (ii) the holder or holders of the respective Senior Operating Partnership Indebtedness shall have waived in writing the application of this Section 11.03(b) to such Payment Default.

(c) Without limiting the effect of Section 11.03(b), upon the happening and continuing of any default or event of default (other than a Payment Default) with respect to any Senior Operating Partnership Indebtedness, as such default or event of default is defined in the Senior Operating Partnership Credit Agreement or in any instrument, agreement or other document under which such Senior Operating Partnership Indebtedness is outstanding (a "Non-Payment Default"), then upon written notice thereof given to the Operating Partnership by the Senior Agent, by holders of a majority in principal amount of the Indebtedness under the Senior Operating Partnership Credit Agreement or the agreement governing Permitted Senior Refinancing Indebtedness, or by the holders of a majority in principal amount of all Senior Operating Partnership Indebtedness ("Payment Blockage Notice"), no direct or indirect payment or distribution shall be made by the Operating Partnership on account of the principal of or interest on or other amounts constituting Subsidiary Guarantee Obligations (other than securities that are subordinated to at least the same extent as the Subsidiary Guarantee to (a) Senior Operating Partnership Indebtedness and (b) any securities issued in exchange for Senior Operating Partnership Indebtedness) unless and until (i) such Non-Payment Default shall have been cured or waived by the holder or holders of the respective Senior Operating Partnership Indebtedness or shall have ceased to exist or (ii) the holder or holders of the respective Senior Operating Partnership Indebtedness shall have waived in writing the application of this Section 11.03(c) to such Non-Payment Default; provided, however, that (A) this Section 11.03(c) shall not prevent the making of any payment for more than 179 days after a Payment Blockage Notice shall have been given or deemed to have been given ("Payment Blockage Period") unless the Senior Operating Partnership Indebtedness in respect of which such default or event of default exists has been declared due and payable in its entirety, in which case no payment or

distribution may be made until such acceleration has been rescinded or annulled and (B) not more than one effective Payment Blockage Notice shall be given within a period of 360 consecutive days and there shall be a period of at least 181 consecutive days in each 360-day period when no Payment Blockage Period is in effect.

(d) In the event that, notwithstanding the foregoing provisions of Section 11.03 (a), (b) or (c) or Section 11.10, the Holders of the Senior Notes shall have received any payment or distribution at a time when such payment was prohibited by the provisions of Section 11.03 (a), (b) or (c) or required to be paid over to the holders of the Senior Operating Partnership Indebtedness pursuant to Section 11.10 then and in such event such payment or distribution shall be received and held in trust for and shall be paid over to the holders of Senior Operating Partnership Indebtedness (pro rata, on the basis of the respective amounts of such Senior Operating Partnership Indebtedness held by them), to the extent necessary to pay all such Senior Operating Partnership Indebtedness in full after giving effect to any substantially concurrent payment to the holders of such Senior Operating Partnership Indebtedness, for application to the payment in full of Senior Operating Partnership Indebtedness.

(e) The provisions of this Section 11.03 shall not modify or limit in any way the application of Section 11.02 or Section 11.10.

SECTION 11.04. SUBROGATION TO RIGHTS OF HOLDERS OF SENIOR OPERATING PARTNERSHIP INDEBTEDNESS.

After all amounts payable under or in respect of Senior Operating Partnership Indebtedness are paid in full, the Holders of the Senior Notes shall be subrogated to the extent of the payments or distributions made to the holders of, or otherwise applied to payment of, such Senior Operating Partnership Indebtedness pursuant to the provisions of this Article 11, to the rights of the holders of such Senior Operating Partnership Indebtedness to receive payments and distributions of cash, securities and other property applicable to the Senior Operating Partnership Indebtedness until the principal of, premium, if any, and interest, including Liquidated Damages, if any, on the Senior Notes, constituting the Subsidiary Guarantee Obligations shall be paid in full. For purposes of such subrogation, no payments or distributions to the holders of the Senior Operating Partnership Indebtedness of any cash, securities or other property to which the Holders of the Senior Notes would be entitled except for the provisions of this Article 11, and no payments over pursuant to the provisions of this Article 11 to the holders of the Senior Operating Partnership Indebtedness by the Holders of the Senior Notes shall be deemed to be a payment or distribution by the Operating Partnership to or on account of the Subsidiary Guarantee Obligations, it being understood that the provisions of this Article 11, are solely for the purpose of defining the relative rights of the Holders of the Senior Notes, on the one hand, and the holders of Senior Operating Partnership Indebtedness on the other hand.

SECTION 11.05. EFFECTUATION OF SUBORDINATION OF SUBSIDIARY GUARANTEE.

In the event of any Insolvency or Liquidation Proceeding, the Senior Agent is irrevocably authorized and empowered, in its discretion, to make and present for and on behalf of the Holders of the Senior Notes such proofs of claims against the Operating Partnership on account of the Subsidiary Guarantee Obligations or other motions or pleadings as the Senior Agent may deem expedient or proper; provided, however, the Senior Agent may make and present such proofs of claims only if the Holders of the Senior Notes have not filed such proofs of claims by the thirtieth day prior to the date on which such claims are required to be filed. After such thirty-day period, if the Holders of the Senior Notes have not filed such proofs of claims, the Holders of the Senior Notes irrevocably authorizes and empowers the

Senior Agent to file claims and take such other actions (other than vote such proof of claims in such proceedings), in the name of the Senior Agent or the Holders of the Senior Notes or otherwise, as the Senior Agent may deem necessary or advisable for the enforcement of the Subsidiary Guarantee. In such event, the Holders of the Senior Notes or Trustee will execute and deliver to the Senior Agent such powers of attorney, assignments and other instruments or documents as may be requested by the Senior Agent in order to enable such Senior Agent to enforce any and all claims upon or with respect to the Subsidiary Guarantee Obligations.

SECTION 11.06. NO WAIVER OF SUBORDINATION PROVISIONS.

No right of the Senior Agent under the Senior Operating Partnership Credit Agreement or any other holder of any Senior Operating Partnership Indebtedness to enforce subordination as herein provided shall at any time in any way be prejudiced or impaired by any act or failure to act on the part of the Issuers or the Operating Partnership or by any act or failure to act by the Senior Agent under the Senior Operating Partnership Credit Agreement or any such holder or by any noncompliance by the Issuers or the Operating Partnership with the terms, provisions and covenants of Article 11 of this Indenture, the Subsidiary Guarantee or the Senior Operating Partnership Credit Agreement regardless of any knowledge thereof which the Senior Agent or such other holder thereof may have or be otherwise charged with.

Without in any way limiting the generality of the foregoing paragraph, the Senior Agent under the Senior Operating Partnership Credit Agreement and any other holders of Senior Operating Partnership Indebtedness may, at any time and from time to time, without the consent of or notice to the Holders of the Senior Notes or the Trustee, without incurring responsibility to the Holders of the Senior Notes or the Trustee and without impairing or releasing the subordination benefits provided in this Indenture or the obligations provided by this Article 11 of the Holders of the Senior Notes to the holders of Senior Operating Partnership Indebtedness, do any one or more of the following to the extent permitted by the terms of this Indenture even if any right to reimbursement or subrogation or other right or remedy of the Holders of the Senior Notes is affected, impaired or extinguished thereby:

(a) change the manner, place or terms of payment or change or extend the time of payment of, or renew, exchange, amend or alter, the terms of any Senior Operating Partnership Indebtedness, any security therefor or guaranty thereof or any liability of the Operating Partnership or any guarantor to such holder, or any liability incurred directly or indirectly in respect thereof, or otherwise amend, renew, exchange, modify or supplement in any manner Senior Operating Partnership Indebtedness or any instrument evidencing or guaranteeing or securing the same or any agreement under which Senior Operating Partnership Indebtedness is outstanding;

(b) sell, exchange, release, surrender, realize upon, enforce or otherwise deal with in any manner and any order any property pledged, mortgaged or otherwise securing Senior Operating Partnership Indebtedness or any liability of the Operating Partnership or any guarantor to such holder, or any liability incurred directly or indirectly in respect thereof;

(c) settle or compromise any Senior Operating Partnership Indebtedness or any other liability of the Operating Partnership or any guarantor of the Senior Operating Partnership Indebtedness to such holder or any security therefor or any liability incurred directly or indirectly in respect thereof and apply any sums by whomsoever paid and however realized to any liability (including, without limitation, Senior Operating Partnership Indebtedness) in any manner or order; and

(d) fail to take or to record or otherwise perfect, for any reason or for no reason, any Lien securing Senior Operating Partnership Indebtedness by whomsoever granted, exercise or delay in or refrain from exercising any right or remedy against the Operating Partnership or any security or any guarantor or any other Person, elect any remedy and otherwise deal freely with the Operating Partnership and security and any guarantor of the Senior Operating Partnership Indebtedness or any liability of the Issuers or the Operating Partnership or any guarantor to such holder or any liability incurred directly or indirectly in respect thereof.

Each Holder of the Senior Notes by purchasing or accepting the Senior Notes waives any and all notice of the creation, modification, renewal, extension or accrual of any Senior Operating Partnership Indebtedness to the extent permitted by the terms of this Indenture and notice of or proof of reliance by any holder of Senior Operating Partnership Indebtedness upon this Indenture and the Senior Operating Partnership Indebtedness shall conclusively be deemed to have been created, contracted or incurred in reliance upon this Indenture, and all dealings between the Issuers or the Operating Partnership and the holders of Senior Operating Partnership Indebtedness shall be deemed to have been consummated in reliance upon this Indenture.

SECTION 11.07. RELIANCE ON COURT ORDERS; EVIDENCE OF STATUS.

Upon any payment or distribution of assets of the Operating Partnership referred to in Section 11.02, the Holders of the Senior Notes shall be entitled to rely upon a certificate of the receiver, trustee in bankruptcy, liquidating trustee, agent or other Person making such payment or distribution delivered to the Trustee or such Holders for the purpose of ascertaining the Persons entitled to participate in such payment or distribution, the holders of Senior Operating Partnership Indebtedness and other indebtedness of the Operating Partnership, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or this Article 11.

SECTION 11.08. PAYMENT.

A payment by the Operating Partnership with respect to principal of or interest on the Subsidiary Guarantee Obligations shall include, without limitation, payment by the Operating Partnership of principal of and interest on the Senior Notes, any depositing by the Operating Partnership of funds for the defeasance of the Subsidiary Guarantee Obligations, any sinking fund and any payment by the Operating Partnership on account of mandatory prepayment or optional redemption provisions.

SECTION 11.09. RELATIVE RIGHTS.

This Article 11 defines the relative rights of Holders of Senior Notes pursuant to the Subsidiary Guarantee and holders of Senior Operating Partnership Indebtedness. Nothing in this Article 11 shall:

(1) impair, as between the Operating Partnership and Holders of Senior Notes, the Subsidiary Guarantee Obligations of the Operating Partnership, which are absolute and unconditional after the Subsidiary Guarantee Effectiveness Date;

(2) affect the relative rights of Holders of Senior Notes and creditors of the Operating Partnership other than their rights in relation to holders of Senior Operating Partnership Indebtedness; or

(3) prevent the Trustee or any Holder of Senior Notes from exercising its available remedies upon a Default or Event of Default, subject to the rights of holders and owners of Senior Operating Partnership Indebtedness to receive distributions and payments otherwise payable to Holders of Senior Notes.

If the Operating Partnership fails because of this Article 11 to pay principal of, premium, if any, interest, or Liquidated Damages, if any, on a Senior Note on the due date in accordance with the terms of this Indenture and the Subsidiary Guarantee, the failure is still a Default or Event of Default.

SECTION 11.10. RESTRICTIONS ON PAYMENTS OF PRINCIPAL.

Notwithstanding any other provision of this Indenture (including this Article 11) or the Subsidiary Guarantee, the Issuers, the Operating Partnership and the Holders of the Senior Notes agree that no payment shall be made by the Operating Partnership in respect of the principal of the Senior Notes pursuant to the Subsidiary Guarantee Obligations prior to July 1, 2000, whether upon stated maturity, mandatory prepayment, acceleration, by deposit to any defeasance account or otherwise; provided that, nothing set forth above in this Section 11.10 shall prohibit the acceleration of the Subsidiary Guarantee Obligations or the exercise of remedies in respect of the Subsidiary Guarantee Obligations by the Trustee or the Holders of the Senior Notes in accordance with the terms of this Indenture so long as (i) the Senior Agent shall have received from the Trustee at least five (5) days prior written notice of such acceleration or exercise of remedies, as the case may be, and (ii) any payment or distribution of cash, securities or other property of any kind or character to or for the benefit of Holders of the Senior Notes in respect of such acceleration or the exercise of remedies shall promptly be paid over or distributed to the holders of the Senior Operating Partnership Indebtedness until the Senior Operating Partnership Indebtedness shall have been paid in full in cash or Cash Equivalents (other than securities that are subordinated to at least the same extent as the Subsidiary Guarantee to (a) Senior Operating Partnership Indebtedness and (b) any securities issued in exchange for Senior Operating Partnership Indebtedness) and, in furtherance of the foregoing, (x) the provisions of Section 11.03(d) shall be applicable in such circumstances and (y) the provisions of this Section 11.10 shall not modify or limit in any way the application of Section 11.02 or 11.03.

ARTICLE 12
SUBSIDIARY GUARANTEE

SECTION 12.01. SUBSIDIARY GUARANTEE.

The Guarantor hereby unconditionally guarantees to each Holder of a Senior Note authenticated and delivered by the Trustee and to the Trustee and its successors and assigns, irrespective of the validity and enforceability of this Indenture, the Senior Notes or the obligations of the Issuers hereunder or thereunder, that on and after the Subsidiary Guarantee Effectiveness Date: (a) the principal of and premium, if any, and interest, including Liquidated Damages, if any, on the Senior Notes shall be promptly paid in full when due, whether at maturity, by acceleration, redemption or otherwise, and interest on the overdue principal of, premium, if any, and interest, including Liquidated Damages, if any, on the Senior Notes, if lawful, and all other obligations of the Issuers to the Holders or the Trustee hereunder or thereunder shall be promptly paid in full or performed, all in accordance with the terms hereof and thereof; and (b) in case of any extension of time of payment or renewal of any Senior Notes or any of such other obligations, that the same shall be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, whether at stated maturity, by acceleration or

otherwise. Failing payment when due of any amount so guaranteed or any performance so guaranteed for whatever reason on and after the Subsidiary Guarantee Effectiveness Date, the Guarantor shall be obligated to pay the same immediately. The Guarantor hereby agrees that its obligations hereunder shall be unconditional, irrespective of the validity, regularity or enforceability of the Senior Notes or this Indenture, the absence of any action to enforce the same, any waiver or consent by any Holder with respect to any provisions hereof or thereof, the recovery of any judgment against the Issuers, any action to enforce the same or any other circumstance which might otherwise constitute a legal or equitable discharge or defense of a guarantor. The Guarantor hereby waives diligence, presentment, demand of payment, filing of claims with a court in the event of insolvency or bankruptcy of the Issuers, any right to require a proceeding first against the Issuers, protest, notice and all demands whatsoever and covenants that this Subsidiary Guarantee shall not be discharged except by complete performance of the obligations contained in the Senior Notes and this Indenture. If any Holder or the Trustee is required by any court or otherwise to return to the Issuers or the Guarantor, or any Custodian, Trustee, liquidator or other similar official acting in relation to either the Issuers or Guarantor, any amount paid by either to the Trustee or such Holder, this Subsidiary Guarantee, to the extent theretofore discharged, shall be reinstated in full force and effect. The Guarantor agrees that it shall not be entitled to any right of subrogation in relation to the Holders of Senior Notes in respect of any obligations guaranteed hereby until payment in full of all obligations guaranteed hereby. The Guarantor further agrees that, as between the Guarantor, on the one hand, and the Holders and the Trustee, on the other hand, (x) the maturity of the obligations guaranteed hereby may be accelerated as provided in Article 6 of this Indenture for the purposes of this Subsidiary Guarantee, notwithstanding any stay, injunction or other prohibition preventing such acceleration in respect of the obligations guaranteed hereby and (y) in the event of any declaration of acceleration of such obligations as provided in Article 6 of this Indenture, such obligations (whether or not due and payable) shall forthwith become due and payable by the Guarantor for the purpose of this Subsidiary Guarantee.

SECTION 12.02. EXECUTION AND DELIVERY OF SUBSIDIARY GUARANTEE.

To evidence its Subsidiary Guarantee set forth in Section 12.01, the Guarantor hereby agrees that a notation of such Subsidiary Guarantee substantially in the form of Exhibit C shall be endorsed by an officer of the General Partner, on behalf of the Guarantor, on each Senior Note authenticated and delivered by the Trustee, that this Indenture shall be executed on behalf of the Guarantor by the President or one of the Vice Presidents of the General Partner and attested to by an Officer and that the Guarantor shall deliver to the Trustee an Opinion of Counsel that the foregoing have been duly authorized, executed and delivered by the general partner of the Guarantor and that the Guarantor's Subsidiary Guarantee is a valid and legally binding obligation of the Guarantor, enforceable against the Guarantor in accordance with its terms.

The Guarantor hereby agrees that the Subsidiary Guarantee set forth in Section 12.01 shall remain in full force and effect notwithstanding any failure to endorse on each Senior Note a notation of such Subsidiary Guarantee.

If an Officer whose signature is on this Indenture or on the Subsidiary Guarantee no longer holds that office at the time the Trustee authenticates the Senior Note on which the Subsidiary Guarantee is endorsed, the Subsidiary Guarantee shall be valid nevertheless.

The delivery of any Senior Note by the Trustee, after the authentication thereof hereunder, shall constitute due delivery of the Subsidiary Guarantee set forth in this Indenture on behalf of the Guarantor.

SECTION 12.03. GUARANTOR MAY CONSOLIDATE, ETC., ON CERTAIN TERMS.

The Guarantor may not consolidate with or merge with or into (whether or not the Guarantor is the surviving Person), another corporation, Person or entity whether or not affiliated with the Guarantor unless:

(a) subject to the provisions of Section 12.04 hereof, the Person formed by or surviving any such consolidation or merger (if other than the Guarantor) assumes all the obligations of the Guarantor, pursuant to a supplemental indenture in form and substance reasonably satisfactory to the Trustee in respect of the Senior Notes, this Indenture and the Guarantor's Subsidiary Guarantee;

(b) immediately after giving effect to such transaction, no Default or Event of Default exists; and

(c) the Guarantor, or any Person formed by or surviving such consolidation or merger, (i) would have Consolidated Net Worth (immediately after giving effect to the transaction), equal to or greater than the Consolidated Net Worth of the Guarantor immediately preceding the transaction and (ii) would be permitted by virtue of the Guarantor's pro forma Fixed Charge Coverage Ratio to incur, immediately after giving effect to such transaction, at least $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the Credit Facility and in Section 4.09 of the Operating Partnership Indenture.

Notwithstanding the foregoing, the Guarantor shall not be permitted to consolidate with or merge with or into (whether or not the Guarantor is the surviving Person), another corporation, Person or entity pursuant to the preceding sentence if such consolidation or merger would not be permitted by Section 5.01 hereof.

In case of any such consolidation or merger and upon the assumption by the successor corporation, by supplemental indenture, executed and delivered to the Trustee and satisfactory in form to the Trustee, of the Subsidiary Guarantee endorsed upon the Senior Notes and the due and punctual performance of all of the covenants and conditions of this Indenture to be performed by the Guarantor, such successor corporation shall succeed to and be substituted for the Guarantor with the same effect as if it had been named herein as a Guarantor. Such successor corporation thereupon may cause to be signed any or all of the Subsidiary Guarantees to be endorsed upon all of the Senior Notes issuable hereunder which theretofore shall not have been signed by the Issuers and delivered to the Trustee. All the Subsidiary Guarantees so issued shall in all respects have the same legal rank and benefit under this Indenture as the Subsidiary Guarantee theretofore and thereafter issued in accordance with the terms of this Indenture as though all of such Subsidiary Guarantees had been issued at the date of the execution hereof.

Except as set forth in Articles 4 and 5 hereof, nothing contained in this Indenture or in any of the Senior Notes shall prevent any consolidation or merger of the Guarantor with or into the Partnership, or shall prevent any sale or conveyance of the property of the Guarantor as an entirety or substantially as an entirety to the Partnership.

SECTION 12.04. RELEASE OF SUBSIDIARY GUARANTEE.

In the event of a sale or other disposition of all or substantially all of the assets of the Guarantor to a third party in a transaction that does not violate any provisions of this Indenture or the Pledge

Agreement, by way of merger, consolidation or otherwise, or a sale or other disposition (including, without limitation, by foreclosure) of all of the Capital Interests of the Guarantor, then the Guarantor (in the event of a sale or other disposition (including, without limitation, by foreclosure), by way of such a merger, consolidation or otherwise, of all of the Capital Interests of the Guarantor) or the corporation or partnership acquiring the property (in the event of a sale or other disposition of all of the assets of the Guarantor) shall be released and relieved of any obligations under the Subsidiary Guarantee; provided that the Net Proceeds of such sale or other disposition are applied in accordance with Section 4.10 hereof. Upon delivery by the General Partner and Finance Corp. to the Trustee of an Officers' Certificate and an Opinion of Counsel to the effect that such sale or other disposition was made by the Partnership in accordance with the provisions of this Indenture, including without limitation Section 4.10, the Trustee shall execute any documents reasonably required in order to evidence the release of the Guarantor from its obligations under the Subsidiary Guarantee.

SECTION 12.05. LIMITATION ON GUARANTOR LIABILITY.

For purposes hereof, the Guarantor's liability shall be that amount from time to time equal to the aggregate liability of the Guarantor thereunder, but shall be limited to the lesser of (i) the aggregate amount of the Obligations of the Issuers under the Senior Notes and this Indenture and (ii) the amount, if any, which would not have (A) rendered the Guarantor "insolvent" (as such term is defined in the federal Bankruptcy Law and in the Debtor and Creditor Law of the State of New York) or (B) left it with unreasonably small capital at the time the Subsidiary Guarantee of the Senior Notes was entered into and at the Subsidiary Guarantee Effectiveness Date, after giving effect to the incurrence of existing Indebtedness immediately prior to such time; provided that, it shall be a presumption in any lawsuit or other proceeding in which the Guarantor is a party that the amount guaranteed pursuant to the Subsidiary Guarantee is the amount set forth in clause (i) above unless any creditor, or representative of creditors of the Guarantor, or debtor in possession or trustee in bankruptcy of the Guarantor, otherwise proves in such a lawsuit that the aggregate liability of the Guarantor is limited to the amount set forth in clause (ii). In making any determination as to the solvency or sufficiency of capital of the Guarantor in accordance with the previous sentence, any rights the Guarantor may have, contractual or otherwise, shall be taken into account.

SECTION 12.06. "TRUSTEE" TO INCLUDE PAYING AGENT.

In case at any time any Paying Agent other than the Trustee shall have been appointed by the Issuers and be then acting hereunder, the term "Trustee" as used in this Article 12 shall in such case (unless the context shall otherwise require) be construed as extending to and including such Paying Agent within its meaning as fully and for all intents and purposes as if such Paying Agent were named in this Article 12 in place of the Trustee.

SECTION 12.07. SUBORDINATION OF SUBSIDIARY GUARANTEE.

The obligations of the Guarantor under the Subsidiary Guarantee pursuant to this Article 12 shall be junior and subordinated to all Senior Operating Partnership Indebtedness as set forth in Article 11 of this Indenture.

ARTICLE 13
MISCELLANEOUS

SECTION 13.01. TRUST INDENTURE ACT CONTROLS.

If any provision of this Indenture limits, qualifies or conflicts with the duties imposed by TIA ss.318(c), the imposed duties shall control.

SECTION 13.02. NOTICES.

Any notice or communication by the Issuers, the Guarantor or the Trustee to the others is duly given if in writing and delivered in Person or mailed by first class mail (registered or certified, return receipt requested), telex, telecopier or overnight air courier guaranteeing next day delivery, to the others' address:

If to the Issuers or the Guarantor:

Ferrellgas Partners, L.P.
One Liberty Plaza
Liberty, Missouri 64068
Telecopier No.: (816) 792-6979
Attention: Danley K. Sheldon

With a copy to:

Bryan Cave LLP
One Kansas City Place
1200 Main Street, Suite 3500
Kansas City, Missouri 64105-2100
Telecopier No.: (816) 374-3300
Attention: Kendrick T. Wallace

If to the Trustee:

American Bank National Association
101 East Fifth Street
St. Paul, MN 55101-1860
Telecopier No.: (612) 229-6415
Attention: Corporate Trust Administration

The Issuers, the Guarantor or the Trustee, by notice to the others may designate additional or different addresses for subsequent notices or communications.

All notices and communications (other than those sent to Holders) shall be deemed to have been duly given: at the time delivered by hand, if personally delivered; five Business Days after being deposited in the mail, postage prepaid, if mailed; when answered back, if telexed; when receipt acknowledged, if telecopied; and the next Business Day after timely delivery to the courier, if sent by overnight air courier guaranteeing next day delivery.

Any notice or communication to a Holder shall be mailed by first class mail, certified or registered, return receipt requested, or by overnight air courier guaranteeing next day delivery to its address shown on the register kept by the Registrar. Any notice or communication shall also be so mailed to any Person described in TIA ss. 313(c), to the extent required by the TIA. Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders.

If a notice or communication is mailed in the manner provided above within the time prescribed, it is duly given, whether or not the addressee receives it.

If either Issuer or the Guarantor mails a notice or communication to Holders, it shall mail a copy to the Trustee and each Agent at the same time.

SECTION 13.03. COMMUNICATION BY HOLDERS OF SENIOR NOTES WITH OTHER HOLDERS OF SENIOR NOTES.

Holders may communicate pursuant to TIA ss. 312(b) with other Holders with respect to their rights under this Indenture or the Senior Notes. The Issuers, the Guarantor, the Trustee, the Registrar and anyone else shall have the protection of TIA ss. 312(c).

SECTION 13.04. CERTIFICATE AND OPINION AS TO CONDITIONS PRECEDENT.

Upon any request or application by the Issuers or the Guarantor to the Trustee to take any action under this Indenture, each of the Issuers or the Guarantor shall furnish to the Trustee:

(a) an Officers' Certificate in form and substance reasonably satisfactory to the Trustee (which shall include the statements set forth in Section 13.05 hereof) stating that, in the opinion of the signers, all conditions precedent and covenants, if any, provided for in this Indenture relating to the proposed action have been satisfied; and

(b) an Opinion of Counsel in form and substance reasonably satisfactory to the Trustee (which shall include the statements set forth in Section 13.05 hereof) stating that, in the opinion of such counsel, all such conditions precedent and covenants have been satisfied.

SECTION 13.05. STATEMENTS REQUIRED IN CERTIFICATE OR OPINION.

Each certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture (other than a certificate provided pursuant to TIA ss. 314(a)(4)) shall comply with the provisions of TIA ss. 314(e) and shall include:

(a) a statement that the Person making such certificate or opinion has read such covenant or condition;

(b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(c) a statement that, in the opinion of such Person, he or she has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether such covenant or condition has been satisfied; and

(d) a statement as to whether, in the opinion of such Person, such condition or covenant has been satisfied.

SECTION 13.06. RULES BY TRUSTEE AND AGENTS.

The Trustee may make reasonable rules for action by or at a meeting of Holders. The Registrar or Paying Agent may make reasonable rules and set reasonable requirements for its functions.

SECTION 13.07. NO PERSONAL LIABILITY OF LIMITED PARTNERS, DIRECTORS, OFFICERS, EMPLOYEES AND STOCKHOLDERS.

No past, present or future limited partner of the Partnership or the Guarantor or director, officer, employee, incorporator or stockholder of the General Partner or Finance Corp., as such, shall have any liability for any obligations of the Issuers or the Guarantor under the Senior Notes, the Subsidiary Guarantee, the Pledge Agreement, this Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder of Senior Notes by accepting a Senior Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Senior Notes.

SECTION 13.08. GOVERNING LAW.

THE INTERNAL LAW OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUE THIS INDENTURE, THE SENIOR NOTES AND THE SUBSIDIARY GUARANTEE.

SECTION 13.09. NO ADVERSE INTERPRETATION OF OTHER AGREEMENTS.

This Indenture may not be used to interpret any other indenture, loan or debt agreement of the Issuers or their Subsidiaries or of any other Person. Any such indenture, loan or debt agreement may not be used to interpret this Indenture.

SECTION 13.10. SUCCESSORS.

All agreements of the Issuers and the Guarantor in this Indenture and the Senior Notes and the Subsidiary Guarantee, as the case may be, shall bind their respective successors. All agreements of the Trustee in this Indenture shall bind its successors.

SECTION 13.11. SEVERABILITY.

In case any provision in this Indenture, in the Senior Notes or in the Subsidiary Guarantee shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 13.12. COUNTERPART ORIGINALS.

The parties may sign any number of copies of this Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

SECTION 13.13. TABLE OF CONTENTS, HEADINGS, ETC.

The Table of Contents, Cross-Reference Table and Headings of the Articles and Sections of this Indenture have been inserted for convenience of reference only, are not to be considered a part of this Indenture and shall in no way modify or restrict any of the terms or provisions hereof.

[Signatures on following page]

SIGNATURES

Dated as of April 26, 1996 FERRELLGAS PARTNERS, L.P.

By: Ferrellgas, Inc.
General Partner

By:
Name:
Title:

(SEAL)

Dated as of April 26, 1996 FERRELLGAS PARTNERS FINANCE CORP.

By:
Name:
Title:

(SEAL)

Dated as of April 26, 1996 FERRELLGAS, L.P.

By: Ferrellgas, Inc.
General Partner

By:
Name:
Title:

(SEAL)

Dated as of April 26, 1996

AMERICAN BANK NATIONAL ASSOCIATION

By:
Name:
Title:

Attest:

(SEAL)

EXHIBIT A
(Face of Senior Note)

93/8% Senior Secured Note due 2006

No. $160,000,000

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

promise to pay to

or registered assigns,

the principal sum of One Hundred and Sixty Million

Dollars ($160,000,000) on June 15, 2006.

Interest Payment Dates: June 15 and December 15.

Record Dates: June 1 and December 1.

Dated: April 26, 1996

FERRELLGAS PARTNERS, L.P.

[SEAL]

By: Ferrellgas, Inc.
General Partner

By:
Name:
Title:

FERRELLGAS PARTNERS FINANCE CORP.

[SEAL]

By: _____
Name:
Title:

This is one of the Senior Notes referred to in the within-mentioned Indenture:

AMERICAN BANK NATIONAL ASSOCIATION,
as Trustee

By:_____
Authorized Signatory

(Back of Note)

93/8% SENIOR SECURED NOTE
DUE 2006

[Unless and until it is exchanged in whole or in part for Senior Notes in definitive form, this Senior Note may not be transferred except as a whole by the Depositary to a nominee of the Depositary or by the Depositary or any such nominee to a successor Depositary or a nominee of such successor Depositary. Unless this certificate is presented by an authorized representative of The Depository Trust Company (55 Water Street, New York, New York) ("DTC"), to the issuer or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or such other name as may be requested by an authorized representative of DTC (and any payment is made to Cede & Co. or such other entity as may be requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.]1

THE SENIOR NOTE (OR ITS PREDECESSOR) EVIDENCED HEREBY WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER SECTION 5 OF THE UNITED STATES SECURITIES ACT OF 1933 (THE "SECURITIES ACT"), AND THE SENIOR NOTE EVIDENCED HEREBY MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THE SENIOR NOTE EVIDENCED HEREBY IS HEREBY NOTIFIED THAT THE SELLER MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER. THE HOLDER OF THE SENIOR NOTE EVIDENCED HEREBY AGREES FOR THE BENEFIT OF THE ISSUERS THAT (A) SUCH SENIOR NOTE MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (1)(a) INSIDE THE UNITED STATES TO A PERSON WHO THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (b) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144 UNDER THE SECURITIES ACT, (c) OUTSIDE THE UNITED STATES TO A FOREIGN PERSON IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 904 UNDER THE SECURITIES ACT OR (d) IN ACCORDANCE WITH ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT (AND BASED UPON AN OPINION OF COUNSEL IF THE ISSUERS SO REQUEST), (2) TO THE ISSUERS OR (3) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT AND, IN EACH CASE, IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER APPLICABLE JURISDICTION AND (B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER FROM IT OF THE SENIOR NOTE EVIDENCED HEREBY OF THE RESALE RESTRICTIONS SET FORTH IN (A) ABOVE.

Capitalized terms used herein have the meanings assigned to them in the Indenture (as defined below) unless otherwise indicated.

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1 This paragraph should be included only for Senior Notes issued in global form.

1. Interest. Ferrellgas Partners, L.P., a Delaware limited partnership (the "Partnership"), and Ferrellgas Partners Finance Corp., a Delaware corporation ("Finance Corp." and, together with the Partnership, the "Issuers") promise to pay interest on the principal amount of this Senior Note at the rate and in the manner specified below. The Issuers shall pay interest in cash on the principal amount of this Senior Note at the rate per annum of 93/8%. The Issuers will pay interest semi-annually in arrears on June 15 and December 15 of each year, commencing on December 15, 1996, to Holders of record on the immediately preceding June 1 and December 1, or if any such day is not a Business Day (as defined in the Indenture), on the next succeeding Business Day (each an "Interest Payment Date"). Interest will be computed on the basis of a 360-day year consisting of twelve 30-day months. Interest shall accrue from the most recent date to which interest has been paid or, if no interest has been paid, from the date of the original issuance of the Senior Notes. To the extent lawful, the Issuers shall pay interest on overdue principal and premium, if any, at the rate of 1% per annum in excess of the then applicable interest rate on the Senior Notes; it shall pay interest on overdue installments of interest and Liquidated Damages, if any, (without regard to any applicable grace periods) at the same rate to the extent lawful.

2. Method of Payment. The Issuers will pay interest on the Senior Notes (except defaulted interest) to the Persons who are registered Holders of Senior Notes at the close of business on the June 1 and December 1 immediately preceding the Interest Payment Date, even if such Senior Notes are cancelled after such record date and on or before such Interest Payment Date. The Holder hereof must surrender this Senior Note to a Paying Agent to collect principal payments. The Issuers will pay principal, premium, if any, and interest including Liquidated Damages, if any, in money of the United States that at the time of payment is legal tender for payment of public and private debts. The Senior Notes will be payable as to principal, premium, if any, and interest including Liquidated Damages, if any, at the office or agency of the Issuers maintained for such purpose within the City and State of New York or, at the option of the Issuers, payment of interest may be made by check mailed to the Holders of Senior Notes at their respective addresses set forth in the register of Holders provided, however, that all payments with respect to the Global Note and definitive Senior Notes the Holders of which have given wire transfer instructions to the Issuers at least 10 Business Days prior to the applicable payment date shall be made by wire transfer of immediately available funds to the accounts specified by the Holders thereof. Unless otherwise designated by the Issuers, the Issuers' office or agency in New York, New York will be the office of the Trustee maintained for such a purpose.

3. Paying Agent and Registrar. Initially, the Trustee will act as Paying Agent and Registrar. The Issuers may change any Paying Agent, Registrar or co-registrar without notice to any Holder. Either Issuer or the Guarantor may act in any such capacity.

4. Indenture. The Issuers issued the Senior Notes under an Indenture dated as of April 26, 1996 (the "Indenture") among the Partnership, Finance Corp., the Guarantor and the Trustee. The terms of the Senior Notes include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939 (15 U.S. Code ss.ss. 77aaa-77bbbb) as in effect on the date of the Indenture. The Senior Notes are subject to all such terms, and Holders of the Senior Notes are referred to the Indenture and such act for a statement of such terms. The terms of the Indenture shall govern any inconsistencies between the Indenture and the Senior Notes. The Senior Notes are unsecured general obligations of the Issuers limited to $160,000,000 in aggregate principal amount.

5. Optional Redemption. The Issuers shall not have the option to redeem the Senior Notes pursuant to Section 3.07 of the Indenture prior to June 15, 2001. Thereafter, the Issuers shall have the option to redeem the Senior Notes, in whole or in part, upon not less than 30 nor more than 60 days' notice, at the redemption prices (expressed as percentages of the principal amount) set forth below, plus

accrued and unpaid interest and Liquidated Damages, if any, thereon to the applicable redemption date, if redeemed during the 12 month period beginning on June 15 of the years indicated below:

Year	Percentage
2001	104.6875%
2002	103.1250%
2003	101.5625%
2004 and thereafter	100.0000%

6. Mandatory Redemption. Except as described in paragraph 7 below, the Issuers shall not be required to make mandatory redemption or sinking fund payments with respect to the Senior Notes.

7. Redemption or Repurchase at Option of Holder. (a) If there is a Change of Control (as defined in the Indenture), the Issuers shall be required to offer to purchase all Senior Notes at 101% of the aggregate principal amount thereof, plus accrued and unpaid interest and Liquidated Damages, if any, to the date of purchase. Holders of Senior Notes that are subject to an offer to purchase will receive a notice therefor from the Issuers prior to any related purchase date, and may elect to have such Senior Notes purchased by completing the form entitled "Option of Holder to Elect Purchase" appearing below.

(b) When the aggregate amount of Excess Proceeds from Asset Sales (as defined in the Indenture) exceeds $15 million, the Issuers shall be required to purchase the maximum principal amount of Senior Notes that may be purchased out of the Excess Proceeds at 100% of the principal amount thereof plus accrued and unpaid interest and Liquidated Damages, if any, to the date fixed for the closing of such offer. If the aggregate principal amount of Senior Notes surrendered by Holders thereof exceeds the amount of Excess Proceeds, the Senior Notes to be redeemed shall be selected pursuant to the terms of Section 3.02 of the Indenture (with such adjustments as may be deemed appropriate by the Issuers so that only Senior Notes in denominations of $1,000, or integral multiples thereof, shall be purchased). To the extent that the aggregate amount of Senior Notes tendered by Holders thereof is less than the Excess Proceeds, the Issuers may use such deficiency for general business purposes. Holders of Senior Notes which are the subject of an offer to purchase will receive a notice therefor from the Issuers prior to any related purchase date, and may elect to have such Senior Notes purchased by completing the form entitled "Option of Holder to Elect Purchase" appearing below.

8. Notice of Redemption. Notice of redemption shall be mailed at least 30 days but not more than 60 days before the redemption date to each Holder of Senior Notes to be redeemed at its registered address. Senior Notes may be redeemed in part but only in whole multiples of $1,000, unless all of the Senior Notes held by a Holder are to be redeemed. On and after the redemption date, interest ceases to accrue on Senior Notes or portions of them called for redemption.

9. Denominations, Transfer, Exchange. The Senior Notes are in registered form without coupons in denominations of $1,000 and integral multiples of $1,000. The transfer of Senior Notes may be registered and Senior Notes may be exchanged as provided in the Indenture. The Registrar and the Trustee may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and to pay any taxes and fees required by law or permitted by the Indenture. The Registrar need not exchange or register the transfer of any Senior Note or portion of a Senior Note selected for redemption. Also, it need not exchange or register the transfer of any Senior Notes for a

period of 15 days before a selection of Senior Notes to be redeemed, during the period between a record date and the corresponding Interest Payment Date.

10. Persons Deemed Owners. Prior to due presentment to the Trustee for registration of the transfer of this Senior Note, the Trustee, any Agent, the Issuers and the Guarantor may deem and treat the Person in whose name this Senior Note is registered as its absolute owner for the purpose of receiving payment of principal of and interest including Liquidated Damages, if any, on this Senior Note and for all other purposes whatsoever, whether or not this Senior Note is overdue, and neither the Trustee, any Agent, the Issuers nor the Guarantor shall be affected by notice to the contrary. The registered holder of a Senior Note shall be treated as its owner for all purposes.

11. Amendments and Waivers. Subject to certain exceptions, the Indenture or the Senior Notes or the Pledge Agreement or the Subsidiary Guarantee may be amended with the consent of the Holders of at least a majority in principal amount of the then outstanding Senior Notes (including consents obtained in connection with a tender offer or exchange offer for Senior Notes), and any existing default or compliance with any provision of the Indenture or the Senior Notes or the Pledge Agreement or the Subsidiary Guarantee may be waived with the consent of the Holders of a majority in principal amount of the then outstanding Senior Notes (including consents obtained in connection with a tender offer or exchange offer for Senior Notes). Without the consent of any Holder, the Indenture, the Pledge Agreement, the Subsidiary Guarantee or the Senior Notes may be amended to cure any ambiguity, defect or inconsistency, to provide for uncertificated Senior Notes in addition to or in place of certificated Senior Notes, to provide for assumption of the Issuers' or the Guarantor's obligations to Holders in the case of a merger or consolidation or to make any change that would provide any additional rights or benefits to the Holders or that does not adversely affect the rights of any Holder under the Indenture or to comply with the requirements of the Commission in order to effect or maintain the qualification of the Indenture under the Trust Indenture Act. Without the consent of each Holder affected, an amendment or waiver may not (with respect to any Senior Notes held by a non-consenting Holder of Senior Notes): (i) reduce the principal amount of Senior Notes whose Holders must consent to an amendment, supplement or waiver, (ii) reduce the principal of, change the fixed maturity of any Senior Note or alter the provisions with respect to the redemption of the Senior Notes (other than provisions relating to the covenants described above under the caption "Redemption or Repurchase at the Option of Holders"), (iii) reduce the rate of or change the time for payment of interest and Liquidated Damages, if any, on any Senior Note, (iv) waive a Default or Event of Default in the payment of principal of, premium, if any, interest or Liquidated Damages, if any, on the Senior Notes (except a rescission of acceleration of the Senior Notes by the Holders of at least a majority in aggregate principal amount of the Senior Notes and a waiver of the payment default that resulted from such acceleration), (v) make any Senior Note payable in money other than that stated in the Senior Notes, (vi) make any change in the provisions of the Indenture relating to waivers of past Defaults or the rights of Holders of Senior Notes to receive payments of principal of, premium, if any, interest or Liquidated Damages, if any, on the Senior Notes, (vii) waive a redemption payment with respect to any Senior Note (other than a payment required by one of the covenants described above under the caption "Redemption or Repurchase at Option of Holder"), (viii) except as otherwise permitted in the Indenture, release the Guarantor from its obligations under the Subsidiary Guarantee or change the Subsidiary Guarantee in any manner that adversely affects the Holders, (ix) release all or substantially all of the Pledged Collateral from the Lien of the Indenture and the Pledge Agreement or (x) make any change in the foregoing amendment and waiver provisions.

12. Defaults and Remedies. Events of Default include: default for 30 days in the payment when due of interest and Liquidated Damages, if any, on the Senior Notes; default in payment when due of principal of or premium, if any, on the Senior Notes at maturity, upon redemption or otherwise; failure for 20 days by the Issuers to comply with Sections 4.07, 4.09, 4.10, 4.14 or 5.01 of

the Indenture; failure by the Issuers or the Guarantor for 60 days after notice from the Trustee or the Holder of at least 25% in principal amount of the Senior Notes then outstanding to comply with any of their other agreements in the Indenture or the Senior Notes; default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Partnership or any of its Subsidiaries (or the payment of which is guaranteed by the Partnership or any of its Subsidiaries), whether such Indebtedness or Guarantee now exists, or is created after the date of the Indenture, which default (a) is caused by a failure to pay principal of or premium, if any, or interest on such Indebtedness prior to the expiration of the grace period provided in such Indebtedness (a "Payment Default") or (b) results in the acceleration of such Indebtedness prior to its express maturity and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates $10 million or more; failure by the Partnership or any of its Subsidiaries to pay final judgments aggregating in excess of $10 million, which judgments are not paid, discharged or stayed for a period of 60 days; except as permitted by the Indenture, the Subsidiary Guarantee shall be held in any judicial proceeding to be unenforceable or invalid or shall cease for any reason to be in full force and effect or the Guarantor, or any Person acting on behalf of the Guarantor, shall deny or disaffirm its obligations under the Subsidiary Guarantee; breach by the Partnership of any material representation or warranty set forth in the Pledge Agreement, or default by the Partnership in the performance of any covenant set forth in the Pledge Agreement after applicable grace periods, or repudiation by the Partnership of its obligations under the Pledge Agreement or the unenforceability of any material provision of the Pledge Agreement for any reason; and certain events of bankruptcy or insolvency with respect to the Partnership or any of its Subsidiaries. If any Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in principal amount of the then outstanding Senior Notes may declare all the Senior Notes to be due and payable immediately; except that in the case of an Event of Default arising from certain events of bankruptcy or insolvency, relating to the Partnership, any Significant Subsidiary or any group of Subsidiaries that, taken together, would constitute a Significant Subsidiary, all outstanding Senior Notes will become due and payable without further action or notice. Holders of the Senior Notes may not enforce the Indenture or the Senior Notes except as provided in the Indenture. Subject to certain limitations, Holders of a majority in principal amount of the then outstanding Senior Notes may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from Holders of the Senior Notes notice of any continuing Default or Event of Default (except a Default or Event of Default relating to the payment of principal, interest or Liquidated Damages, if any) if it determines that withholding notice is in their interest. The Holders of a majority in aggregate principal amount of the Senior Notes then outstanding, by notice to the Trustee, may on behalf of the Holders of all of the Senior Notes waive any existing Default or Event of Default and its consequences under the Indenture except a continuing Default or Event of Default in the payment of principal of, premium, if any, interest and Liquidated Damages, if any, on the Senior Notes. The Issuers are required to deliver to the Trustee annually a statement regarding compliance with the Indenture, and the Issuers are required upon becoming aware of any Default or Event of Default, to deliver to the Trustee a statement specifying such Default or Event of Default.

13. Trustee Dealings with Issuers. The Trustee under the Indenture, in its individual or any other capacity, may make loans to, accept deposits from, and perform services for the Issuers, the Guarantor or their respective Affiliates, and may otherwise deal with the Issuers, the Guarantor or their respective Affiliates, as if it were not Trustee; however, if the Trustee acquires any conflicting interest it must eliminate such conflict within 90 days, apply to the Commission for permission to continue as Trustee or resign.

14. No Recourse Against Others. No past, present or future limited partner of the Partnership or the Guarantor or director, officer, employee, incorporator or stockholder of the General Partner or Finance Corp., as such, shall have any liability for any obligations of the Issuers or the Guarantor under the Senior Notes, the Subsidiary Guarantee, the Pledge Agreement, the Indenture or for any claim based on, in respect of, or by reason of such obligations or their creation. Each Holder by accepting a Senior Note waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Senior Notes.

15. Authentication. This Senior Note shall not be valid until authenticated by the manual signature of the Trustee or an authenticating agent.

16. Abbreviations. Customary abbreviations may be used in the name of a Holder or an assignee, such as: TEN COM (= tenants in common), TEN ENT (= tenants by the entireties), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian), and U/G/M/A (= Uniform Gifts to Minors Act).

17. Additional Rights of Holders of Transfer Restricted Securities. In addition to the rights provided to Holders of Senior Notes under the Indenture, Holders of Transfer Restricted Securities shall have all the rights set forth in the Registration Rights Agreement, dated as of April 26, 1996 (the "Registration Rights Agreement"), among the Issuers, the Guarantor and the parties named on the signature pages thereof.

18. CUSIP Numbers. Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures, the Issuers have caused CUSIP numbers to be printed on the Senior Notes and has directed the Trustee to use CUSIP numbers in notices of redemption as a convenience to Holders. No representation is made as to the accuracy of such numbers either as printed on the Senior Notes or as contained in any notice of redemption and reliance may be placed only on the other identification numbers placed thereon.

19. Governing Law. THE INTERNAL LAW OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUE THE INDENTURE, THE SENIOR NOTES AND THE SUBSIDIARY GUARANTEE.

The Issuers will furnish to any Holder upon written request and without charge a copy of the Indenture, the Registration Rights Agreement and the Pledge Agreement. Request may be made to:

Ferrellgas Partners, L.P.
One Liberty Plaza
Liberty, Missouri 64068
Telecopier No.: (816) 792-6979
Attention: Danley K. Sheldon

ASSIGNMENT FORM

To assign this Senior Note, fill in the form below: (I) or (we) assign and transfer this Senior Note to

(Insert assignee's soc. sec. or tax I.D. no.)

(Print or type assignee's name, address and zip code)

and irrevocably appoint
to transfer this Senior Note on the books of the Issuers. The agent may substitute another to act for him.

Date:

Your Signature:
(Sign exactly as your name appears on the face of this Senior Note)

Signature Guarantee.

OPTION OF HOLDER TO ELECT PURCHASE

If you want to elect to have this Senior Note purchased by the Issuers pursuant to Section 4.10 or 4.14 of the Indenture, check the box below:

Section 4.10 Section 4.14

If you want to elect to have only part of the Senior Note purchased by the Issuers pursuant to Section 4.10 or Section 4.14 of the Indenture, state the amount you elect to have purchased:
$----------

Date: Your Signature:
(Sign exactly as your name appears on the Senior Note)

Tax Identification No.:

Signature Guarantee.

SCHEDULE OF EXCHANGES OF CERTIFICATED SECURITIES2

The following exchanges of a part of this Global Note for Certificated Securities have been made:

Date of Exchange	Amount of decrease in Principal Amount of this Global Note	Amount of increase in Principal Amount of this Global Note	Principal Amount of this Global Note following such decreas (or increase)	Signature of authorized officer of Trustee or Note Custodian
-				

2 To be included only for Senior Notes issued in global form.

EXHIBIT B

CERTIFICATE TO BE DELIVERED UPON EXCHANGE OR REGISTRATION OF TRANSFER OF SENIOR NOTES

Re: 93/8% Senior Secured Notes due 2006 of Ferrellgas Partners, L.P. and Ferrellgas Partners Finance Corp. (the "Senior Notes")

This Certificate relates to $_____ principal amount of Senior Notes held in * _____ book-entry or *_____ definitive form by _____ (the "Transferor").

The Transferor*:

has requested the Trustee by written order to deliver in exchange for its beneficial interest in a Global Note held by the Depositary a Senior Note or Senior Notes in definitive, registered form of authorized denominations in an aggregate principal amount equal to its beneficial interest in such Global Note (or the portion thereof indicated above); or

has requested the Trustee by written order to exchange or register the transfer of a Senior Note or Senior Notes.

In connection with such request and in respect of each such Senior Note, the Transferor does hereby certify that Transferor is familiar with the Indenture relating to the above captioned Senior Notes and as provided in Section 2.06 of such Indenture, the transfer of this Senior Note does not require registration under the Securities Act (as defined below) because:*

Such Senior Note is being acquired for the Transferor's own account, without transfer (in satisfaction of Section 2.06(a)(ii)(A) or Section 2.06(d)(i)(A) of the Indenture).

Such Senior Note is being transferred to a "qualified institutional buyer" (as defined in Rule 144A under the Securities Act of 1933, as amended (the "Securities Act")) in reliance on Rule 144A (in satisfaction of Section 2.06(a)(ii)(B), Section 2.06(b)(i) or Section 2.06(d)(i)(B) of the Indenture) or pursuant to an exemption from registration in accordance with Rule 904 under the Securities Act (in satisfaction of Section 2.06(a)(ii)(B) or Section 2.06(d)(i)(B) of the Indenture.)

- ---------------
*Check applicable box.

Such Senior Note is being transferred in accordance with Rule 144 under the Securities Act, or pursuant to an effective registration statement under the Securities Act (in satisfaction of Section 2.06(a)(ii)(B) or Section 2.06(d)(i)(B) of the Indenture).

Such Senior Note is being transferred in reliance on and in compliance with an exemption from the registration requirements of the Securities Act, other than Rule 144A, 144 or Rule 904 under the Securities Act. An Opinion of Counsel to the effect that such transfer does not require registration under the Securities Act accompanies this Certificate (in satisfaction of Section 2.06(a)(ii)(C) or Section 2.06(d)(i)(C) of the Indenture).

[INSERT NAME OF TRANSFEROR]

By:

Date:

- ---------------
*Check applicable box.

EXHIBIT C

Subsidiary Guarantee

The Guarantor hereby unconditionally guarantees to each Holder of a Senior Note authenticated and delivered by the Trustee and to the Trustee and its successors and assigns, irrespective of the validity and enforceability of this Indenture, the Senior Notes or the obligations of the Issuers hereunder or thereunder, that on and after the Subsidiary Guarantee Effectiveness Date: (a) the principal of, premium, if any, and interest, including Liquidated Damages, if any, on the Senior Notes shall be promptly paid in full when due, whether at maturity, by acceleration, redemption or otherwise, and interest on the overdue principal of, premium, if any, and interest, including Liquidated Damages, if any, on the Senior Notes, if lawful, and all other obligations of the Issuers to the Holders or the Trustee hereunder or thereunder shall be promptly paid in full or performed, all in accordance with the terms hereof and thereof; and (b) in case of any extension of time of payment or renewal of any Senior Notes or any of such other obligations, that same shall be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, whether at stated maturity, by acceleration or otherwise. Failing payment when due of any amount so guaranteed or any performance so guaranteed for whatever reason on and after the Subsidiary Guarantee Effectiveness Date, the Guarantor shall be obligated to pay the same immediately.

The obligations of the Guarantor to the Holders of Senior Notes and to the Trustee pursuant to this Subsidiary Guarantee and the Indenture are expressly set forth in Article 12 of the Indenture, and reference is hereby made to such Indenture for the precise terms of this Subsidiary Guarantee. The terms of Article 12 of the Indenture are incorporated herein by reference.

The Obligations of the Guarantor under this Subsidiary Guarantee shall be subordinated and junior in right of payment to all Senior Operating Partnership Indebtedness as expressly set forth in Article 11 of the Indenture, and reference is hereby made to such Indenture for the precise terms of subordination. The terms of Article 11 of the Indenture are incorporated herein by reference.

This is a continuing Subsidiary Guarantee and shall remain in full force and effect and shall be binding upon the Guarantor and its respective successors and assigns to the extent set forth in the Indenture from the Subsidiary Guarantee Effectiveness Date until full and final payment of all of the Issuers' Obligations under the Senior Notes and the Indenture and shall inure to the benefit of the Trustee and the Holders of Senior Notes and their successors and assigns and, in the event of any transfer or assignment of rights by any Holder of Senior Notes or the Trustee, the rights and privileges herein conferred upon that party shall automatically extend to and be vested in such transferee or assignee, all subject to the terms and conditions hereof. Notwithstanding the foregoing, upon satisfaction of the provisions of Section 12.04 of the Indenture, the Guarantor shall be released of its obligations hereunder. This is a Subsidiary Guarantee of payment and not a guarantee of collection.

This Subsidiary Guarantee shall not be valid or obligatory for any purpose until (i) the certificate of authentication on the Senior Note upon which this Subsidiary Guarantee is noted shall have been executed by the Trustee under the Indenture by the manual signature of one of its authorized officers and (ii) the Subsidiary Guarantee Effectiveness Date.

For purposes hereof, the Guarantor's liability will be that amount from time to time equal to the aggregate liability of the Guarantor hereunder, but shall be limited to the lesser of (i) the aggregate amount of the obligations of the Issuers under the Senior Notes and the Indenture and (ii) the amount, if any, which would not have (A) rendered the Guarantor "insolvent" (as such term is defined in the federal Bankruptcy Law and in the Debtor and Creditor Law of the State of New York) or (B) left it with

unreasonably small capital at the time the Subsidiary Guarantee of the Senior Notes was entered into and at the Subsidiary Guarantee Effectiveness Date, after giving effect to the incurrence of existing Indebtedness immediately prior to such time; provided that, it shall be a presumption in any lawsuit or other proceeding in which the Guarantor is a party that the amount guaranteed pursuant to the Subsidiary Guarantee is the amount set forth in clause (i) above unless any creditor, or representative of creditors of the Guarantor, or debtor in possession or trustee in bankruptcy of the Guarantor, otherwise proves in such a lawsuit that the aggregate liability of the Guarantor is limited to the amount set forth in clause (ii). The Indenture provides that, in making any determination as to the solvency or sufficiency of capital of the Guarantor in accordance with the previous sentence, any rights the Guarantor may have, contractual or otherwise, shall be taken into account.

Capitalized terms used herein have the same meanings given in the Indenture unless otherwise indicated.

FERRELLGAS, L.P.

By: Ferrellgas, Inc.
General Partner

By:
Name:
Title:

- ----------
- ----------

EXECUTION COPY

A/B EXCHANGE
REGISTRATION RIGHTS AGREEMENT

Dated as of April 26, 1996

by and among

Ferrellgas Partners, L.P.
Ferrellgas Partners Finance Corp.
Ferrellgas, L.P.

and

Donaldson, Lufkin & Jenrette Securities Corporation
Goldman, Sachs & Co.

This Registration Rights Agreement is made and entered into as of April 26, 1996 (this "Agreement") by and among Ferrellgas Partners, L.P., a Delaware limited partnership (the "Partnership"), Ferrellgas Partners Finance Corp., a Delaware corporation ("Finance Corp" and, together with the Partnership, the "Issuers"), Ferrellgas, L.P., a Delaware limited partnership and a wholly owned subsidiary of the Partnership (the "Guarantor"), and Donaldson, Lufkin & Jenrette Securities Corporation and Goldman, Sachs & Co. (each an "Initial Purchaser" and, collectively, the "Initial Purchasers"), each of whom has agreed to purchase the Issuers' 93/8% Senior Secured Notes due 2006 (the "Series A Senior Notes") pursuant to the Purchase Agreement (as defined below).

This Agreement is made pursuant to the Purchase Agreement, dated April 23, 1996 (the "Purchase Agreement"), by and among the Issuers, the Guarantor, Ferrellgas, Inc., a Delaware corporation ("Ferrellgas"), and the Initial Purchasers. In order to induce the Initial Purchasers to purchase the Series A Senior Notes, the Issuers have agreed to provide the registration rights set forth in this Agreement. The execution and delivery of this Agreement is a condition to the obligations of the Initial Purchasers set forth in Section 3 of the Purchase Agreement.

The parties hereby agree as follows:

SECTION 1.DEFINITIONS

As used in this Agreement, the following capitalized terms shall have the following meanings:

Act: The Securities Act of 1933, as amended.

Broker-Dealer: Any broker or dealer registered under the Exchange Act.

Closing Date: The date of this Agreement.

Commission: The Securities and Exchange Commission.

Consummate: A Registered Exchange Offer shall be deemed "Consummated" for purposes of this Agreement upon the occurrence of (i) the filing and effectiveness under the Act of the Exchange Offer Registration Statement relating to the Series B Senior Notes to be issued in the Exchange Offer, (ii) the maintenance of such Registration Statement continuously effective and the keeping of the Exchange Offer open for a period not less than the minimum period required pursuant to Section 3(b) hereof, and (iii) the delivery by the Issuers to the Registrar under the Indenture of Series B Senior Notes in the same aggregate principal amount as the aggregate principal amount of Series A Senior Notes that were tendered by Holders thereof pursuant to the Exchange Offer.

Damages Payment Date: With respect to the Series A Senior Notes, each Interest Payment Date.

Effectiveness Target Date: As defined in Section 5.

Exchange Act: The Securities Exchange Act of 1934, as amended.

Exchange Offer: The registration by the Issuers under the Act of the Series B Senior Notes pursuant to a Registration Statement pursuant to which the Issuers offer the Holders of all outstanding Transfer Restricted Securities the opportunity to exchange all such outstanding Transfer Restricted Securities held by such Holders for Series B Senior Notes in an aggregate principal amount equal to the aggregate principal amount of the Transfer Restricted Securities tendered in such exchange offer by such Holders.

Exchange Offer Registration Statement: The Registration Statement relating to the Exchange Offer, including the related Prospectus.

Exempt Resales: The transactions in which the Initial Purchasers propose to sell the Series A Senior Notes to certain "qualified institutional buyers," as such term is defined in Rule 144A under the Act, and to certain institutional "accredited investors," as such term is defined in Rule 501(a)(1), (2), (3) and (7) of Regulation D under the Act ("Accredited Institutions").

Holders: As defined in Section 2(b) hereof.

Indemnified Holder: As defined in Section 8(a) hereof.

Indenture: The Indenture, dated as of April 26, 1996, among the Issuers, American Bank National Association, as trustee (the "Trustee"), and the Guarantor, pursuant to which the Senior Notes are to be issued, as such Indenture is amended or supplemented from time to time in accordance with the terms thereof.

Initial Purchaser: As defined in the preamble hereto.

Interest Payment Date: As defined in the Indenture and the Senior Notes.

NASD: National Association of Securities Dealers, Inc.

Person: An individual, partnership, corporation, trust or unincorporated organization, or a government or agency or political subdivision thereof.

Prospectus: The prospectus included in a Registration Statement, as amended or supplemented by any prospectus supplement and by all other amendments thereto, including post-effective amendments, and all material incorporated by reference into such Prospectus.

Record Holder: With respect to any Damages Payment Date relating to Senior Notes, each Person who is a Holder of Senior Notes on the record date with respect to the Interest Payment Date on which such Damages Payment Date shall occur.

Registration Default: As defined in Section 5 hereof.

Registration Statement: Any registration statement of the Issuers relating to (a) an offering of Series B Senior Notes pursuant to an Exchange Offer or (b) the registration for resale of Transfer Restricted Securities pursuant to the Shelf Registration Statement, which is filed pursuant to the provisions of this Agreement, in each case, including the Prospectus included therein, all amendments and supplements thereto (including post-effective amendments) and all exhibits and material incorporated by reference therein.

Senior Notes: The Series A Senior Notes and the Series B Senior Notes.

Series A Senior Notes: As defined in the preamble hereto.

Series B Senior Notes: The Issuers' 93/8% Senior Secured Notes due 2006 to be issued pursuant to the Indenture in the Exchange Offer.

Shelf Filing Deadline: As defined in Section 4 hereof.

Shelf Registration Statement: As defined in Section 4 hereof.

TIA: The Trust Indenture Act of 1939 (15 U.S.C. Section 77aaa-77bbbb) as in effect on the date of the Indenture.

Transfer Restricted Securities: Each Senior Note, until the earliest to occur of (a) the date on which such Senior Note is exchanged in the Exchange Offer and entitled to be resold to the public by the Holder thereof without complying with the prospectus delivery requirements of the Act, (b) the date on which such Senior Note has been effectively registered under the Act and disposed of in accordance with a Shelf Registration Statement and (c) the date on which such Senior Note is distributed to the public pursuant to Rule 144 under the Act or by a Broker- Dealer pursuant to the "Plan of Distribution" contemplated by the Exchange Offer Registration Statement (including delivery of the Prospectus contained therein).

Underwritten Registration or Underwritten Offering: A registration in which securities of the Issuers are sold to an underwriter for reoffering to the public.

SECTION 2. SECURITIES SUBJECT TO THIS AGREEMENT

(a) Transfer Restricted Securities. The securities entitled to the benefits of this Agreement are the Transfer Restricted Securities.

(b) Holders of Transfer Restricted Securities. A Person is deemed to be a holder of Transfer Restricted Securities (each, a "Holder") whenever such Person owns Transfer Restricted Securities.

SECTION 3. REGISTERED EXCHANGE OFFER

(a) Unless the Exchange Offer shall not be permissible under applicable law or Commission policy (after the procedures set forth in Section 6(a) below have been complied with), the Issuers and the Guarantor shall (i) cause to be filed with the Commission as soon as practicable after the Closing Date, but in no event later than 60 days after the Closing Date, a Registration Statement under the Act relating to the Series B Senior Notes and the Exchange Offer, (ii) use their best efforts to cause such Registration Statement to become effective at the earliest possible time, but in no event later than November 30, 1996, (iii) in connection with the foregoing, file (A) all pre-effective amendments to such Registration Statement as may be necessary in order to cause such Registration Statement to become effective, (B) if applicable, a post-effective amendment to such Registration Statement pursuant to Rule 430A under the Act and (C) cause all necessary filings in connection with the registration and qualification of the Series B Senior Notes to be made under the Blue Sky laws of such jurisdictions as are necessary to permit Consummation of the Exchange Offer, and (iv) upon the effectiveness of such Registration Statement, commence the Exchange Offer. The Exchange Offer shall be on the appropriate form permitting registration of the Series B Senior Notes to be offered in exchange for the Transfer Restricted Securities and to permit resales of Senior Notes held by Broker- Dealers as contemplated by Section 3(c) below.

(b) The Issuers and the Guarantor shall cause the Exchange Offer Registration Statement to be effective continuously and shall keep the Exchange Offer open for a period of not less than the minimum period required under applicable federal and state securities laws to Consummate the Exchange Offer; provided, however, that in no event shall such period be less than 20 business days. The Issuers and the Guarantor shall cause the Exchange Offer to comply with all applicable federal and state securities laws. No securities other than the Senior Notes shall be included in the Exchange Offer Registration Statement. The Issuers and the Guarantor shall use their best efforts to cause the Exchange Offer to be Consummated on the earliest practicable date after the Exchange Offer Registration Statement has become effective, but in no event later than 30 business days thereafter.

(c) The Issuers and the Guarantor shall indicate in a "Plan of Distribution" section contained in the Prospectus contained in the Exchange Offer Registration Statement that any Broker-Dealer who holds Series A Senior Notes that are Transfer Restricted Securities and that were acquired for its own account as a result of market-making activities or other trading activities (other than Transfer Restricted Securities acquired directly from the Issuers), may exchange such Series A Senior Notes pursuant to the Exchange Offer; however, such Broker- Dealer may be deemed to be an "underwriter" within the meaning of the Act and must, therefore, deliver a prospectus meeting the requirements of the Act in connection with any resales of the Series B Senior Notes received by such Broker-Dealer in the Exchange Offer, which prospectus delivery requirement may be satisfied by the delivery by such Broker-Dealer of the Prospectus contained in the Exchange Offer Registration Statement. Such "Plan of Distribution" section shall also contain all other information with respect to such resales by

Broker-Dealers that the Commission may require in order to permit such resales pursuant thereto, but such "Plan of Distribution" shall not name any such Broker-Dealer or disclose the amount of Senior Notes held by any such Broker-Dealer except to the extent required by the Commission as a result of a change in policy after the date of this Agreement.

The Issuers and the Guarantor shall use their best efforts to keep the Exchange Offer Registration Statement continuously effective, supplemented and amended as required by the provisions of Section 6(c) below to the extent necessary to ensure that it is available for resales of Senior Notes acquired by Broker-Dealers for their own accounts as a result of market-making activities or other trading activities, and to ensure that it conforms with the requirements of this Agreement, the Act and the policies, rules and regulations of the Commission as announced from time to time, for a period of 180 days from the date on which the Exchange Offer Registration Statement is declared effective.

The Issuers and the Guarantor shall provide sufficient copies of the latest version of such Prospectus to Broker-Dealers promptly upon request at any time during such one-year period in order to facilitate such resales.

SECTION 4. SHELF REGISTRATION

(a) Shelf Registration. If (i) the Issuers are not required to file an Exchange Offer Registration Statement or to consummate the Exchange Offer because the Exchange Offer is not permitted by applicable law or Commission policy (after the procedures set forth in Section 6(a) below have been complied with) or (ii) if any Holder of Transfer Restricted Securities shall notify the Issuers within 20 business days of the Consummation of the Exchange Offer (A) that such Holder is prohibited by applicable law or Commission policy from participating in the Exchange Offer, or (B) that such Holder may not resell the Series B Senior Notes acquired by it in the Exchange Offer to the public without delivering a prospectus and that the Prospectus contained in the Exchange Offer Registration Statement is not appropriate or available for such resales by such Holder, or (C) that such Holder is a Broker-Dealer and holds Series A Senior Notes acquired directly from the Issuers or one of its affiliates, then the Issuers and the Guarantor shall

(x) cause to be filed a shelf registration statement pursuant to Rule 415 under the Act, which may be an amendment to the Exchange Offer Registration Statement (in either event, the "Shelf Registration Statement") on or prior to the earliest to occur of (1) the 30th day after the date on which the Issuers determine that they are not required to file the Exchange Offer Registration Statement (but in no event prior to November 30, 1996), (2) the 30th day after the date on which the Issuers receive notice from a Holder of Transfer Restricted Securities as contemplated by clause (ii) above, and (3) December 30, 1996 (such date being the "Shelf Filing Deadline"), which Shelf Registration Statement shall provide for resales of all Transfer Restricted Securities the

Holders of which shall have provided the information required pursuant to Section 4(b) hereof; and

(y) use their best efforts to cause such Shelf Registration Statement to be declared effective by the Commission on or before the 90th day after the Shelf Filing Deadline.

The Issuers and the Guarantor shall use their best efforts to keep such Shelf Registration Statement continuously effective, supplemented and amended as required by the provisions of Sections 6(b) and (c) hereof to the extent necessary to ensure that it is available for resales of Senior Notes by the Holders of Transfer Restricted Securities entitled to the benefit of this Section 4(a), and to ensure that it conforms with the requirements of this Agreement, the Act and the policies, rules and regulations of the Commission as announced from time to time, until the third anniversary of the Closing Date or such shorter period that will terminate when all the Senior Notes covered by the Shelf Registration Statement have been sold pursuant to the Shelf Registration Statement or become eligible for resale pursuant to Rule 144 without volume or other restrictions.

(b) Provision by Holders of Certain Information in Connection with the Shelf Registration Statement. No Holder of Transfer Restricted Securities may include any of its Transfer Restricted Securities in any Shelf Registration Statement pursuant to this Agreement unless and until such Holder furnishes to the Issuers in writing, within 20 business days after receipt of a request therefor, such information as the Issuers may reasonably request for use in connection with any Shelf Registration Statement or Prospectus or preliminary Prospectus included therein. No Holder of Transfer Restricted Securities shall be entitled to Liquidated Damages pursuant to Section 5 hereof unless and until such Holder shall have used its best efforts to provide all such reasonably requested information. Each Holder as to which any Shelf Registration Statement is being effected agrees to furnish promptly to the Issuers all information required to be disclosed in order to make the information previously furnished to the Issuers by such Holder not materially misleading.

SECTION 5. LIQUIDATED DAMAGES

If (i) any of the Registration Statements required by this Agreement is not filed with the Commission on or prior to the date specified for such filing in this Agreement, (ii) any of such Registration Statements has not been declared effective by the Commission on or prior to the date specified for the effectiveness of any of such Registration Statements in this Agreement (the "Effectiveness Target Date"), (iii) the Exchange Offer has not been Consummated within 30 business days after the Effectiveness Target Date with respect to the Exchange Offer Registration Statement or (iv) any Registration Statement required by this Agreement is filed and declared effective but shall thereafter cease to be effective or fail to be usable for its intended purpose without being succeeded immediately by a post-effective amendment to such Registration Statement that cures such failure and that is itself immediately declared effective (each such

event referred to in clauses (i) through (iv), a "Registration Default"), the Issuers (and after the Subsidiary Guarantee Effectiveness Date (as defined in the Indenture), the Guarantor) hereby jointly and severally agree to pay liquidated damages to each Holder of Transfer Restricted Securities with respect to the first 90-day period immediately following the occurrence of such Registration Default, in an amount equal to $.05 per week per $1,000 principal amount of Transfer Restricted Securities held by such Holder for each week or portion thereof that the Registration Default continues. The amount of the liquidated damages shall increase by an additional $.05 per week per $1,000 in principal amount of Transfer Restricted Securities with respect to each subsequent 90-day period until all Registration Defaults have been cured, up to a maximum amount of liquidated damages of $.50 per week per $1,000 principal amount of Transfer Restricted Securities. All accrued liquidated damages shall be paid to Record Holders by the Issuers by wire transfer of immediately available funds or by federal funds check on each Damages Payment Date, as provided in the Indenture. Following the cure of all Registration Defaults relating to any particular Transfer Restricted Securities, the accrual of liquidated damages with respect to such Transfer Restricted Securities will cease.

All obligations of the Issuers and the Guarantor set forth in the preceding paragraph that are outstanding with respect to any Transfer Restricted Security at the time such security ceases to be a Transfer Restricted Security shall survive until such time as all such obligations with respect to such Security shall have been satisfied in full.

SECTION 6. REGISTRATION PROCEDURES

(a) Exchange Offer Registration Statement. In connection with the Exchange Offer, the Issuers and the Guarantor shall comply with all of the provisions of Section 6(c) below, shall use their best efforts to effect such exchange to permit the sale of Transfer Restricted Securities being sold in accordance with the intended method or methods of distribution thereof, and shall comply with all of the following provisions:

(i) If in the reasonable opinion of counsel to the Issuers there is a question as to whether the Exchange Offer is permitted by applicable law, the Issuers and the Guarantor hereby agree to seek a no-action letter or other favorable decision from the Commission allowing the Issuers and the Guarantor to Consummate an Exchange Offer for such Series A Senior Notes. The Issuers and the Guarantor each hereby agrees to pursue the issuance of such a decision to the Commission staff level but shall not be required to take commercially unreasonable action to effect a change of Commission policy. The Issuers and the Guarantor each hereby agrees, however, to (A) participate in telephonic conferences with the Commission, (B) deliver to the Commission staff an analysis prepared by counsel to the Issuers setting forth the legal bases, if any, upon which such counsel has concluded that such an Exchange Offer should be permitted and (C) diligently pursue a resolution (which need not be favorable) by the Commission staff of such submission.

(ii) As a condition to its participation in the Exchange Offer pursuant to the terms of this Agreement, each Holder of Transfer Restricted Securities shall furnish, upon the request of the Issuers, prior to the Consummation thereof, a written representation to the Issuers (which may be contained in the letter of transmittal contemplated by the Exchange Offer Registration Statement) to the effect that (A) it is not an affiliate of the Issuers, (B) it is not engaged in, and does not intend to engage in, and has no arrangement or understanding with any person to participate in, a distribution of the Series B Senior Notes to be issued in the Exchange Offer and (C) it is acquiring the Series B Senior Notes in its ordinary course of business. In addition, all such Holders of Transfer Restricted Securities shall otherwise cooperate in the Issuers' preparations for the Exchange Offer. Each Holder hereby acknowledges and agrees that any Broker-Dealer and any such Holder using the Exchange Offer to participate in a distribution of the securities to be acquired in the Exchange Offer (1) could not under Commission policy as in effect on the date of this Agreement rely on the position of the Commission enunciated in Morgan Stanley and Co., Inc. (available June 5, 1991) and Exxon Capital Holdings Corporation (available May 13, 1988), as interpreted in the Commission's letter to Shearman & Sterling dated July 2, 1993, and similar no-action letters (including any no-action letter obtained pursuant to clause (i) above), and (2) must comply with the registration and prospectus delivery requirements of the Act in connection with a secondary resale transaction and that such a secondary resale transaction should be covered by an effective registration statement containing the selling security holder information required by Item 507 or 508, as applicable, of Regulation S-K if the resales are of Series B Senior Notes obtained by such Holder in exchange for Series A Senior Notes acquired by such Holder directly from the Issuers.

(iii) Prior to effectiveness of the Exchange Offer Registration Statement, the Issuers and the Guarantor shall provide a supplemental letter to the Commission (A) stating that the Issuers and the Guarantor are registering the Exchange Offer in reliance on the position of the Commission enunciated in Exxon Capital Holdings Corporation (available May 13, 1988), Morgan Stanley and Co., Inc. (available June 5, 1991) and, if applicable, any no-action letter obtained pursuant to clause (i) above and (B) including a representation that neither the Issuers nor the Guarantor has entered into any arrangement or understanding with any Person to distribute the Series B Senior Notes to be received in the Exchange Offer and that, to the best of the Issuers' information and belief, each Holder participating in the Exchange Offer is acquiring the Series B Senior Notes in its ordinary course of business and has no arrangement or understanding with any Person to participate in the distribution of the Series B Senior Notes received in the Exchange Offer.

(b) Shelf Registration Statement. In connection with the Shelf Registration Statement, the Issuers and the Guarantor shall comply with all the provisions of Section 6(c) below and shall use their best efforts to effect such registration to permit the sale of the Transfer Restricted Securities being sold in accordance with the intended method or methods of distribution thereof, and pursuant thereto the Issuers will as expeditiously as possible prepare and file with the Commission a Registration Statement relating to the registration on any appropriate form under

the Act, which form shall be available for the sale of the Transfer Restricted Securities in accordance with the intended method or methods of distribution thereof.

(c) General Provisions. In connection with any Registration Statement and any Prospectus required by this Agreement to permit the sale or resale of Transfer Restricted Securities (including, without limitation, any Registration Statement and the related Prospectus required to permit resales of Senior Notes by Broker-Dealers), the Issuers and the Guarantor shall:

(i) use their best efforts to keep such Registration Statement continuously effective and provide all requisite financial statements (including, if required by the Act or any regulation thereunder, financial statements of Ferrellgas and the Guarantor) for the period specified in Section 3 or 4 of this Agreement, as applicable; upon the occurrence of any event that would cause any such Registration Statement or the Prospectus contained therein (A) to contain a material misstatement or omission or (B) not to be effective and usable for resale of Transfer Restricted Securities during the period required by this Agreement, the Issuers shall file promptly an appropriate amendment to such Registration Statement, in the case of clause (A), correcting any such misstatement or omission, and, in the case of either clause (A) or (B), use their best efforts to cause such amendment to be declared effective and such Registration Statement and the related Prospectus to become usable for their intended purpose(s) as soon as practicable thereafter. Notwithstanding the foregoing, at any time after Consummation of the Exchange Offer, the Issuers and the Guarantor will not be required to amend the Shelf Registration Statement for a period not exceeding 30 days during any consecutive 365-day period of effectiveness if the Partnership determines that such amendment would (y) have a material adverse effect on a material acquisition, disposition of assets or stock or a merger, or (z) require the Issuers to make public disclosure of information the public disclosure of which would have a material adverse effect upon the Issuers; provided that the three year period referred to in Section 4(a) hereof during which the Shelf Registration Statement is required to be effective and usable shall be extended by the number of days during which such Shelf Registration Statement was not effective or usable pursuant to the foregoing provisions;

(ii) prepare and file with the Commission such amendments and post-effective amendments to the Registration Statement as may be necessary to keep the Registration Statement effective for the applicable period set forth in Section 3 or 4 hereof, as applicable, or such shorter period as will terminate when all Transfer Restricted Securities covered by such Registration Statement have been sold; cause the Prospectus to be supplemented by any required Prospectus supplement, and as so supplemented to be filed pursuant to Rule 424 under the Act, and to comply fully with the applicable provisions of Rules 424 and 430A under the Act in a timely manner; and comply with the provisions of the Act with respect to the disposition of all securities covered by such Registration Statement during the applicable period in accordance with the intended method or methods of distribution by the sellers thereof set forth in such Registration Statement or supplement to the Prospectus;

(iii) advise the underwriter(s), if any, and selling Holders promptly and, if requested by such Persons, to confirm such advice in writing, (A) when the Prospectus or any Prospectus supplement or post-effective amendment has been filed, and, with respect to any Registration Statement or any post-effective amendment thereto, when the same has become effective, (B) of any request by the Commission for amendments to the Registration Statement or amendments or supplements to the Prospectus or for additional information relating thereto, (C) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement under the Act or of the suspension by any state securities commission of the qualification of the Transfer Restricted Securities for offering or sale in any jurisdiction, or the initiation of any proceeding for any of the preceding purposes, (D) of the existence of any fact or the happening of any event that makes any statement of a material fact made in the Registration Statement, the Prospectus, any amendment or supplement thereto, or any document incorporated by reference therein untrue, or that requires the making of any additions to or changes in the Registration Statement or the Prospectus in order to make the statements therein not misleading. If at any time the Commission shall issue any stop order suspending the effectiveness of the Registration Statement, or any state securities commission or other regulatory authority shall issue an order suspending the qualification or exemption from qualification of the Transfer Restricted Securities under state securities or Blue Sky laws, the Issuers and the Guarantor shall use their best efforts to obtain the withdrawal or lifting of such order at the earliest possible time;

(iv) furnish to each of the selling Holders and each of the underwriter(s), if any, before filing with the Commission, copies of any Registration Statement or any Prospectus included therein or any amendments or supplements to any such Registration Statement or Prospectus (including all documents incorporated by reference after the initial filing of such Registration Statement), which documents will be subject to the review of such Holders and underwriter(s), if any, for a period of at least five business days, and the Issuers will not file any such Registration Statement or Prospectus or any amendment or supplement to any such Registration Statement or Prospectus (including all such documents incorporated by reference) to which a selling Holder of Transfer Restricted Securities covered by such Registration Statement or the underwriter(s), if any, shall reasonably object within five business days after the receipt thereof. A selling Holder or underwriter, if any, shall be deemed to have reasonably objected to such filing if such Registration Statement, amendment, Prospectus or supplement, as applicable, as proposed to be filed, contains a material misstatement or omission;

(v) promptly prior to the filing of any document that is to be incorporated by reference into a Registration Statement or Prospectus, provide copies of such document to the selling Holders and to the underwriter(s), if any, make the Issuers' representatives available (and representatives of the Guarantor) for discussion of such document and other customary due diligence matters, and include such information in such document prior to the filing thereof as such selling Holders or underwriter(s), if any, reasonably may request;

(vi) make available at reasonable times for inspection by the selling Holders, any underwriter participating in any disposition pursuant to such Registration Statement, and any attorney or accountant retained by such selling Holders or any of the underwriter(s), all financial and other records, pertinent corporate documents and properties of the Issuers and the Guarantor and cause the Issuers' and the Guarantor's officers, directors and employees to supply all information reasonably requested by any such Holder, underwriter, attorney or accountant in connection with such Registration Statement subsequent to the filing thereof and prior to its effectiveness;

(vii) if requested by any selling Holders or the underwriter(s), if any, promptly incorporate in any Registration Statement or Prospectus, pursuant to a supplement or post-effective amendment if necessary, such information as such selling Holders and underwriter(s), if any, may reasonably request to have included therein, including, without limitation, information relating to the "Plan of Distribution" of the Transfer Restricted Securities, information with respect to the principal amount of Transfer Restricted Securities being sold to such underwriter(s), the purchase price being paid therefor and any other terms of the offering of the Transfer Restricted Securities to be sold in such offering; and make all required filings of such Prospectus supplement or post-effective amendment as soon as practicable after the Issuers are notified of the matters to be incorporated in such Prospectus supplement or post-effective amendment;

(viii) cause the Transfer Restricted Securities covered by the Registration Statement to be rated with the appropriate rating agencies, if so requested by the Holders of a majority in aggregate principal amount of Senior Notes covered thereby or the underwriter(s), if any;

(ix) furnish to each selling Holder and each of the underwriter(s), if any, without charge, at least one copy of the Registration Statement, as first filed with the Commission, and of each amendment thereto, including all documents incorporated by reference therein and all exhibits (including exhibits incorporated therein by reference);

(x) deliver to each selling Holder and each of the underwriter(s), if any, without charge, as many copies of the Prospectus (including each preliminary prospectus) and any amendment or supplement thereto as such Persons reasonably may request; the Issuers and the Guarantor hereby consent to the use of the Prospectus and any amendment or supplement thereto by each of the selling Holders and each of the underwriter(s), if any, in connection with the offering and the sale of the Transfer Restricted Securities covered by the Prospectus or any amendment or supplement thereto;

(xi) enter into such agreements (including an underwriting agreement), and make such representations and warranties, and take all such other actions in connection therewith in order to expedite or facilitate the disposition of the Transfer Restricted Securities pursuant to any Registration Statement contemplated by this Agreement, all to such extent as may be requested by any Initial Purchaser or by any Holder of Transfer Restricted Securities or

underwriter in connection with any sale or resale pursuant to any Registration Statement contemplated by this Agreement; and whether or not an underwriting agreement is entered into and whether or not the registration is an Underwritten Registration, the Issuers and the Guarantor shall:

(A) furnish to each Initial Purchaser, each selling Holder and each underwriter, if any, in such substance and scope as they may reasonably request and as are customarily made by issuers to underwriters in primary underwritten offerings, upon the date of the Consummation of the Exchange Offer and, if applicable, the effectiveness of the Shelf Registration Statement:

(1) a certificate, dated the date of Consummation of the Exchange Offer or the date of effectiveness of the Shelf Registration Statement, as the case may be, signed by (y) the President or any Vice President and (z) a principal financial or accounting officer of each of the Issuers and the Guarantor, confirming, as of the date thereof, the matters set forth in paragraphs (b), (c), (g), (h) and (j) of Section 10 of the Purchase Agreement and such other matters as such parties may reasonably request;

(2) an opinion, dated the date of Consummation of the Exchange Offer or the date of effectiveness of the Shelf Registration Statement, as the case may be, of counsel for the Issuers and the Guarantor, covering the matters set forth in paragraph (d) of Section 10 of the Purchase Agreement and such other matter as such parties may reasonably request, and in any event including a statement to the effect that such counsel has participated in conferences with officers and other representatives of the Issuers and the Guarantor, representatives of the independent public accountants for the Issuers and the Guarantor, the Initial Purchasers' representatives and the Initial Purchasers' counsel in connection with the preparation of such Registration Statement and the related Prospectus and have considered the matters required to be stated therein and the statements contained therein, although such counsel has not independently verified the accuracy, completeness or fairness of such statements; and that such counsel advises that, on the basis of the foregoing (relying as to materiality to a certain extent upon facts provided to such counsel by officers and other representatives of the Issuers and the Guarantor without independent check or verification), no facts came to such counsel's attention that caused such counsel to believe that the applicable Registration Statement, at the time such Registration Statement or any post-effective amendment thereto became effective, and, in the case of the Exchange Offer Registration Statement, as of the date of Consummation, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or that the Prospectus contained in such Registration Statement as of its date and, in the case of the opinion dated the date of Consummation of the Exchange Offer, as of the date of Consummation, contained an untrue statement of a material fact or

omitted to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. Without limiting the foregoing, such counsel may state further that such counsel assumes no responsibility for, and has not independently verified, the accuracy, completeness or fairness of the financial statements, notes and schedules and other financial data included in any Registration Statement contemplated by this Agreement or the related Prospectus; and

(3) a customary comfort letter, dated as of the date of Consummation of the Exchange Offer or the date of effectiveness of the Shelf Registration Statement, as the case may be, from the Issuers' independent accountants, in the customary form and covering matters of the type customarily covered in comfort letters by underwriters in connection with primary underwritten offerings, and affirming the matters set forth in the comfort letters delivered pursuant to Section 10(f) of the Purchase Agreement, without exception;

(B) set forth in full or incorporate by reference in the underwriting agreement, if any, the indemnification provisions and procedures of Section 8 hereof with respect to all parties to be indemnified pursuant to said Section; and

(C) deliver such other documents and certificates as may be reasonably requested by such parties to evidence compliance with clause (A) above and with any customary conditions contained in the underwriting agreement or other agreement entered into by the Issuers and the Guarantor pursuant to this clause (xi), if any.

If at any time the representations and warranties of the Issuers and the Guarantor contemplated in clause (A)(1) above cease to be true and correct, the Issuers or the Guarantor shall so advise the Initial Purchasers and the underwriter(s), if any, and each selling Holder promptly and, if requested by such Persons, shall confirm such advice in writing;

(xii) prior to any public offering of Transfer Restricted Securities, cooperate with the selling Holders, the underwriter(s), if any, and their respective counsel in connection with the registration and qualification of the Transfer Restricted Securities under the securities or Blue Sky laws of such jurisdictions as the selling Holders or underwriter(s) may request and do any and all other acts or things necessary or advisable to enable the disposition in such jurisdictions of the Transfer Restricted Securities covered by the Shelf Registration Statement; provided, however, that neither the Issuers nor the Guarantor shall be required to register or qualify as a foreign partnership or corporation, as applicable, where it is not now so qualified or to take any action that would subject it to the service of process in suits or to taxation, other than as to matters and transactions relating to the Registration Statement, in any jurisdiction where it is not now so subject;

(xiii) shall issue, upon the request of any Holder of Series A Senior Notes covered by the Shelf Registration Statement, Series B Senior Notes, having an aggregate principal amount equal to the aggregate principal amount of Series A Senior Notes surrendered to the Issuers by such Holder in exchange therefor or being sold by such Holder; such Series B Senior Notes to be registered in the name of such Holder or in the name of the purchaser(s) of such Senior Notes, as the case may be; in return, the Series A Senior Notes held by such Holder shall be surrendered to the Issuers for cancellation;

(xiv) cooperate with the selling Holders and the underwriter(s), if any, to facilitate the timely preparation and delivery of certificates representing Transfer Restricted Securities to be sold and not bearing any restrictive legends; and enable such Transfer Restricted Securities to be in such denominations and registered in such names as the Holders or the underwriter(s), if any, may request at least two business days prior to any sale of Transfer Restricted Securities made by such underwriter(s);

(xv) use their best efforts to cause the Transfer Restricted Securities covered by the Registration Statement to be registered with or approved by such other governmental agencies or authorities as may be necessary to enable the seller or sellers thereof or the underwriter(s), if any, to consummate the disposition of such Transfer Restricted Securities, subject to the proviso contained in clause (xii) above;

(xvi) if any fact or event contemplated by clause (6)(c)(iii)(D) above shall exist or have occurred, prepare a supplement or post-effective amendment to the Registration Statement or related Prospectus or any document incorporated therein by reference or file any other required document so that, as thereafter delivered to the purchasers of Transfer Restricted Securities, the Prospectus will not contain an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein not misleading;

(xvii) provide a CUSIP number for all Transfer Restricted Securities not later than the effective date of the Registration Statement and provide the Trustee under the Indenture with printed certificates for the Transfer Restricted Securities which are in a form eligible for deposit with the Depository Trust Company;

(xviii) cooperate and assist in any filings required to be made with the NASD and in the performance of any due diligence investigation by any underwriter (including any "qualified independent underwriter") that is required to be retained in accordance with the rules and regulations of the NASD, and use their best efforts to cause such Registration Statement to become effective and approved by such governmental agencies or authorities as may be necessary to enable the Holders selling Transfer Restricted Securities to consummate the disposition of such Transfer Restricted Securities;

(xix) otherwise use their best efforts to comply with all applicable rules and regulations of the Commission, and make generally available to their security holders, as soon as practicable, a consolidated earnings statement meeting the requirements of Rule 158

(which need not be audited) for the twelve-month period (A) commencing at the end of any fiscal quarter in which Transfer Restricted Securities are sold to underwriters in a firm or best efforts Underwritten Offering or (B) if not sold to underwriters in such an offering, beginning with the first month of the Issuers' first fiscal quarter commencing after the effective date of the Registration Statement;

(xx) cause the Indenture to be qualified under the TIA not later than the effective date of the first Registration Statement required by this Agreement, and, in connection therewith, cooperate with the Trustee and the Holders of Senior Notes to effect such changes to the Indenture as may be required for such Indenture to be so qualified in accordance with the terms of the TIA; and execute and use their best efforts to cause the Trustee to execute, all documents that may be required to effect such changes and all other forms and documents required to be filed with the Commission to enable such Indenture to be so qualified in a timely manner;

(xxi) cause all Transfer Restricted Securities covered by the Registration Statement to be listed on each securities exchange on which similar securities issued by the Issuers are then listed if requested by the Holders of a majority in aggregate principal amount of Series A Senior Notes or the managing underwriter(s), if any; and

(xxii) provide promptly to each Holder upon request each document filed with the Commission pursuant to the requirements of Section 13 and Section 15 of the Exchange Act.

Each Holder agrees by acquisition of a Transfer Restricted Security that, upon receipt of any notice from the Issuers of the existence of any fact of the kind described in Section 6(c)(iii)(D) hereof, such Holder will forthwith discontinue disposition of Transfer Restricted Securities pursuant to the applicable Registration Statement until such Holder's receipt of the copies of the supplemented or amended Prospectus contemplated by Section 6(c)(xvi) hereof, or until it is advised in writing (the "Advice") by the Issuers that the use of the Prospectus may be resumed, and has received copies of any additional or supplemental filings that are incorporated by reference in the Prospectus. If so directed by the Issuers, each Holder will deliver to the Issuers (at the Issuers' expense) all copies, other than permanent file copies then in such Holder's possession, of the Prospectus covering such Transfer Restricted Securities that was current at the time of receipt of such notice. In the event the Issuers shall give any such notice, the time period regarding the effectiveness of such Registration Statement set forth in Section 3 or 4 hereof, as applicable, shall be extended by the number of days during the period from and including the date of the giving of such notice pursuant to Section 6(c)(iii)(D) hereof to and including the date when each selling Holder covered by such Registration Statement shall have received the copies of the supplemented or amended Prospectus contemplated by Section 6(c)(xvi) hereof or shall have received the Advice.

SECTION 7. REGISTRATION EXPENSES

(a) All expenses incident to the Issuers' and the Guarantor's performance of or compliance with this Agreement will be borne by the Issuers or the Guarantor, regardless of whether a Registration Statement becomes effective, including without limitation: (i) all registration and filing fees and expenses (including any filings made by any Initial Purchaser or Holder with the NASD and reasonable counsel fees and disbursements in connection therewith (and, if applicable, the fees and expenses of any "qualified independent underwriter" and its counsel that may be required by the rules and regulations of the NASD)); (ii) all fees and expenses of compliance with federal securities and state Blue Sky or securities laws (including all fees and expenses of counsel to the underwriter(s) in connection with compliance with State Blue Sky or securities laws); (iii) all expenses of printing (including printing certificates for the Series B Senior Notes to be issued in the Exchange Offer and printing of Prospectuses), messenger and delivery services and telephone; (iv) all fees and disbursements of counsel for the Issuers, the Guarantor and, subject to Section 7(b) below, the Holders of Transfer Restricted Securities; (v) all application and filing fees in connection with listing Senior Notes on a national securities exchange or automated quotation system pursuant to the requirements hereof; (vi) all fees and expenses of the Trustee under the Indenture to the extent provided in the Indenture and of any escrow agent, custodian or exchange agent; and (vii) all fees and disbursements of independent certified public accountants of the Issuers and the Guarantor (including the expenses of any special audit and comfort letters required by or incident to such performance).

The Issuers and the Guarantor will, in any event, bear their internal expenses (including, without limitation, all salaries and expenses of their officers and employees performing legal or accounting duties), the expenses of any annual audit and the fees and expenses of any Person, including special experts, retained by the Issuers and the Guarantor.

(b) In connection with any Registration Statement required by this Agreement (including, without limitation, the Exchange Offer Registration Statement and the Shelf Registration Statement), the Issuers will reimburse the Initial Purchasers and the Holders of Transfer Restricted Securities being tendered in the Exchange Offer and/or resold pursuant to the "Plan of Distribution" contained in the Exchange Offer Registration Statement or registered pursuant to the Shelf Registration Statement, as applicable, for the reasonable fees and disbursements of not more than one counsel, as may be chosen by the Holders of a majority in principal amount of the Transfer Restricted Securities for whose benefit such Registration Statement is being prepared.

SECTION 8. INDEMNIFICATION

(a) The Issuers and the Guarantor, jointly and severally, agree to indemnify and hold harmless (i) each Holder and (ii) each person, if any, who controls (within the meaning of Section 15 of the Act or Section 20 of the Exchange Act) any Holder (any of the persons referred to in this clause (ii) being hereinafter referred to as a "controlling person") and (iii) the respective officers, directors, partners, employees, representatives and agents of any Holder or

any controlling person (any person referred to in clause (i), (ii) or (iii) may hereinafter be referred to as an "Indemnified Holder"), to the fullest extent lawful, from and against any and all losses, claims, damages, liabilities, judgments, actions and expenses (including without limitation and as incurred, reimbursement of all reasonable costs of investigating, preparing, pursuing or defending any claim or action, or any investigation or proceeding by any governmental agency or body, commenced or threatened, including the reasonable fees and expenses of counsel to any Indemnified Holder) directly or indirectly caused by, related to, based upon, arising out of or in connection with any untrue statement or alleged untrue statement of a material fact contained in any Registration Statement or Prospectus (or any amendment or supplement thereto), or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, except (i) insofar as such losses, claims, damages, liabilities or expenses are caused by an untrue statement or omission or alleged untrue statement or omission that is made in reliance upon and in conformity with information relating to any of the Holders furnished in writing to the Issuers by any of the Holders expressly for use therein and (ii) insofar as any such losses, claims, damages, liabilities or expenses are caused by an untrue statement or omission or alleged untrue statement or omission contained in any preliminary Prospectus, the foregoing indemnity shall not inure to the benefit of any Holder which sold Series A Senior Notes to a person to whom there was not sent or given, at or prior to the written confirmation of such sale, a copy of the Prospectus or of the Prospectus as then amended or supplemented, whichever is most recent, if the Issuers or the Guarantor have previously furnished copies thereof to such Holder, and if such Prospectus or Prospectus as amended or supplemented, as the case may be, completely corrected the untrue statement or alleged untrue statement or omission or alleged omission giving rise to such losses, claims, damages, liabilities or expenses.

In case any action or proceeding (including any governmental or regulatory investigation or proceeding) shall be brought or asserted against any of the Indemnified Holders with respect to which indemnity may be sought against the Issuers or the Guarantor, such Indemnified Holder (or the Indemnified Holder controlled by such controlling person) shall promptly notify the Issuers and the Guarantor in writing (provided, that the failure to give such notice shall not relieve the Issuers or the Guarantor of their obligations pursuant to this Agreement). Such Indemnified Holder shall have the right to employ its own counsel in any such action and the reasonable fees and expenses of such counsel shall be paid, as incurred, by the Issuers and the Guarantor (regardless of whether it is ultimately determined that an Indemnified Holder is not entitled to indemnification hereunder). The Issuers and the Guarantor shall not, in connection with any one such action or proceeding or separate but substantially similar or related actions or proceedings in the same jurisdiction arising out of the same general allegations or circumstances, be liable for the reasonable fees and expenses of more than one separate firm of attorneys (in addition to any local counsel) at any time for such Indemnified Holders, which firm shall be designated by the Holders. The Issuers and the Guarantor shall be liable for any settlement of any such action or proceeding effected with the Issuers' and the Guarantor's prior written consent, which consent shall not be unreasonably withheld, and the Issuers and the Guarantor agree to indemnify and hold harmless any Indemnified Holder from and against any

loss, claim, damage, liability or expense by reason of any settlement of any action effected with the written consent of the Issuers. The Issuers and the Guarantor shall not, without the prior written consent of each Indemnified Holder, settle or compromise or consent to the entry of judgment in or otherwise seek to terminate any pending or threatened action, claim, litigation or proceeding in respect of which indemnification or contribution may be sought hereunder (whether or not any Indemnified Holder is a party thereto), unless such settlement, compromise, consent or termination includes an unconditional release of each Indemnified Holder from all liability arising out of such action, claim, litigation or proceeding.

(b) Each Holder of Transfer Restricted Securities agrees, severally and not jointly, to indemnify and hold harmless the Issuers and the Guarantor, and their respective directors, officers, and any person controlling (within the meaning of Section 15 of the Act or Section 20 of the Exchange Act) the Issuers and the Guarantor, and the respective officers, directors, partners, employees, representatives and agents of each such person, to the same extent as the foregoing indemnity from the Issuers and the Guarantor to each of the Indemnified Holders, but only with respect to claims and actions based on information relating to such Holder furnished in writing by such Holder expressly for use in any Registration Statement. In no event shall the liability of any selling Holder hereunder be greater in amount than the dollar amount of the proceeds received by such Holder upon the sale of the Registrable Securities giving rise to such indemnification obligation.

(c) If the indemnification provided for in this Section 8 is unavailable to an indemnified party under Section 8(a) or Section 8(b) hereof (other than by reason of exceptions provided in those Sections) in respect of any losses, claims, damages, liabilities or expenses referred to therein, then each applicable indemnifying party, in lieu of indemnifying such indemnified party, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages, liabilities or expenses (i) in such proportion as is appropriate to reflect the relative benefits received by the Issuers and the Guarantor on the one hand and the Holders on the other hand from their sale of Transfer Restricted Securities or (ii) if such allocation is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefit referred to above but also the relative fault of the Issuers and the Guarantor on the one hand and of the Indemnified Holder on the other in connection with the statements or omissions which resulted in such losses, claims, damages, liabilities or expenses, as well as any other relevant equitable considerations. The relative fault of the Issuers and the Guarantor on the one hand and of the Indemnified Holder on the other shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Issuers or the Guarantor or by the Indemnified Holder and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

The Issuers, the Guarantor and each Holder of Transfer Restricted Securities agree that it would not be just and equitable if contribution pursuant to this Section 8(c) were determined by pro rata allocation (even if the Holders were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred

to in the immediately preceding paragraph. The amount paid or payable by an indemnified party as a result of the losses, claims, damages, liabilities or expenses referred to in the immediately preceding paragraph shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 8, none of the Holders (and its related Indemnified Holders) shall be required to contribute, in the aggregate, any amount in excess of the amount by which the total amount received by such Holder with respect to the Series A Senior Notes exceeds the amount of any damages which such Holder has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Holders' obligations to contribute pursuant to this Section 8(c) are several in proportion to the respective principal amount of Series A Senior Notes held by each of the Holders hereunder and not joint.

SECTION 9. RULE 144A

The Issuers and the Guarantor hereby agree with each Holder, for so long as any Transfer Restricted Securities remain outstanding, to make available to any Holder or beneficial owner of Transfer Restricted Securities in connection with any sale thereof and any prospective purchaser of such Transfer Restricted Securities from such Holder or beneficial owner, the information required by Rule 144A(d)(4) under the Act in order to permit resales of such Transfer Restricted Securities pursuant to Rule 144A.

SECTION 10. PARTICIPATION IN UNDERWRITTEN REGISTRATIONS

No Holder may participate in any Underwritten Registration for any Transfer Restricted Securities hereunder unless the Issuers and the Guarantor shall have consented in writing to such Underwritten Registration which consent may be unreasonably withheld and such Holder (a) agrees to sell such Holder's Transfer Restricted Securities on the basis provided in any underwriting arrangements approved by the Persons entitled hereunder to approve such arrangements and (b) completes and executes all reasonable questionnaires, powers of attorney, indemnities, underwriting agreements, lock-up letters and other documents required under the terms of such underwriting arrangements.

SECTION 11. SELECTION OF UNDERWRITERS

The Holders of Transfer Restricted Securities covered by the Shelf Registration Statement who desire to do so may sell such Transfer Restricted Securities in an Underwritten Offering upon the prior written consent of the Issuers and the Guarantor to such Underwritten

Offering, which consent may be unreasonably withheld. In any such Underwritten Offering, the investment banker or investment bankers and manager or managers that will administer the offering will be selected by the Holders of a majority in aggregate principal amount of the Transfer Restricted Securities included in such offering; provided, that such investment bankers and managers must be reasonably satisfactory to the Issuers.

SECTION 12. MISCELLANEOUS

(a) Remedies. The Issuers and the Guarantor agree that monetary damages (including the liquidated damages contemplated hereby) would not be adequate compensation for any loss incurred by reason of a breach by it of the provisions of this Agreement and hereby agree to waive the defense in any action for specific performance that a remedy at law would be adequate.

(b) No Inconsistent Agreements. The Issuers will not, and will cause the Guarantor not to, on or after the date of this Agreement enter into any agreement with respect to their securities that is inconsistent with the rights granted to the Holders in this Agreement or otherwise conflicts with the provisions hereof. Neither the Issuers nor the Guarantor has previously entered into any agreement granting any registration rights with respect to their securities to any Person. The rights granted to the Holders hereunder do not in any way conflict with and are not inconsistent with the rights granted to the holders of the Issuers' or the Guarantor's securities under any agreement in effect on the date hereof.

(c) Adjustments Affecting the Senior Notes. The Issuers and the Guarantor will not take any action, or permit any change to occur, with respect to the Senior Notes that would materially and adversely affect the ability of the Holders to Consummate any Exchange Offer.

(d) Amendments and Waivers. The provisions of this Agreement may not be amended, modified or supplemented, and waivers or consents to or departures from the provisions hereof may not be given unless the Issuers have obtained the written consent of Holders of a majority of the outstanding principal amount of Transfer Restricted Securities. Notwithstanding the foregoing, a waiver or consent to departure from the provisions hereof that relates exclusively to the rights of Holders whose securities are being tendered pursuant to the Exchange Offer and that does not affect directly or indirectly the rights of other Holders whose securities are not being tendered pursuant to such Exchange Offer may be given by the Holders of a majority of the outstanding principal amount of Transfer Restricted Securities being tendered or registered.

(e) Notices. All notices and other communications provided for or permitted hereunder shall be made in writing by hand-delivery, first-class mail (registered or certified, return receipt requested), telex, telecopier, or air courier guaranteeing overnight delivery:

(i) if to a Holder, at the address set forth on the records of the Registrar under the Indenture, with a copy to the Registrar under the Indenture; and

(ii) if to the Issuers and the Guarantor:

Ferrellgas Partners, L.P.
One Liberty Plaza
Liberty, Missouri 64068

Telecopier No.: (816) 792-6985
Attention: Chief Financial Officer

With a copy to:

Bryan Cave, LLP
One Kansas City Place
Kansas City, MO 64105

Telecopier No.: (816) 374-3300
Attention: Kendrick T. Wallace, Esq.

All such notices and communications shall be deemed to have been duly given: at the time delivered by hand, if personally delivered; five business days after being deposited in the mail, postage prepaid, if mailed; when answered back, if telexed; when receipt acknowledged, if telecopied; and on the next business day, if timely delivered to an air courier guaranteeing overnight delivery.

Copies of all such notices, demands or other communications shall be concurrently delivered by the Person giving the same to the Trustee at the address specified in the Indenture.

(f) Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of each of the parties, including without limitation and without the need for an express assignment, subsequent Holders of Transfer Restricted Securities; provided, however, that this Agreement shall not inure to the benefit of or be binding upon a successor or assign of a Holder unless and to the extent such successor or assign acquired Transfer Restricted Securities from such Holder.

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

(h) Headings. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

(i) Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO THE CONFLICT OF LAW RULES THEREOF.

(j) Severability. In the event that any one or more of the provisions contained herein, or the application thereof in any circumstance, is held invalid, illegal or unenforceable, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions contained herein shall not be affected or impaired thereby.

(k) Entire Agreement. This Agreement together with the other Operative Agreements (as defined in the Purchase Agreement) is intended by the parties as a final expression of their agreement and intended to be a complete and exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter contained herein. There are no restrictions, promises, warranties or undertakings, other than those set forth or referred to herein with respect to the registration rights granted by the Issuers and the Guarantor with respect to the Transfer Restricted Securities. This Agreement supersedes all prior agreements and understandings between the parties with respect to such subject matter.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

FERRELLGAS PARTNERS, L.P.

By: FERRELLGAS, INC., as general partner

By:
Name: Danley K. Sheldon
Title: Senior Vice President

FERRELLGAS PARTNERS FINANCE CORP.

By:
Name: Danley K. Sheldon
Title: Senior Vice President

FERRELLGAS, L.P.

By: FERRELLGAS, INC., as general partner

By:
Name: Danley K. Sheldon
Title: Senior Vice President

DONALDSON, LUFKIN & JENRETTE SECURITIES CORPORATION

By:
Name:
Title:

GOLDMAN, SACHS & CO.
By:
(Goldman, Sachs & Co.)

EXECUTION COPY

FERRELLGAS PARTNERS, L.P.

and

FERRELLGAS PARTNERS FINANCE CORP.

93/8% Senior Secured Notes Due 2006

Unconditionally Guaranteed by Ferrellgas, L.P.

PURCHASE AGREEMENT

April 23, 1996

DONALDSON, LUFKIN & JENRETTE
SECURITIES CORPORATION
GOLDMAN, SACHS & CO.
c/o Donaldson, Lufkin & Jenrette
Securities Corporation
277 Park Avenue
New York, New York 10172

Ladies and Gentlemen:

1. Issuance of Securities. Ferrellgas Partners, L.P., a Delaware limited partnership (the "Partnership"), and Ferrellgas Partners Finance Corp., a wholly owned subsidiary of the Partnership ("Finance Corp." and, together with the Partnership, the "Issuers"), propose to issue and sell to Donaldson, Lufkin & Jenrette Securities Corporation ("DLJ") and Goldman, Sachs & Co. ("Goldman, Sachs" and, together with DLJ, the "Initial Purchasers") an aggregate of $160,000,000 principal amount of their 93/8% Senior Secured Notes due 2006 (the "Series A Senior Notes"), which are to be offered for resale by the Initial Purchasers to qualified institutional buyers (within the meaning of Rule 144A ("Rule 144A") under the Securities Act of 1933, as amended (the "Act") ("Qualified Institutional Buyers") in reliance upon Rule 144A and to institutional accredited investors (within the meaning of Rule 501(a)(1), (2), (3) or (7) under the Act ("Regulation D"))("Institutional Accredited Investors"). The Series A Senior Notes are to be issued pursuant to the provisions of an Indenture, to be dated as of April 26, 1996 (the "Indenture"), by and among the Issuers, Ferrellgas, L.P., a Delaware limited partnership (the "Guarantor" or the "Operating Partnership") and American Bank National Association, as Trustee (the "Trustee"). The Series A Senior Notes together with the Issuers' 93/8% Senior Secured Notes due 2006 issued in exchange therefore (the "Series B Senior Notes") are collectively referred to herein as the "Senior Notes." The Senior Notes will be fully and unconditionally guaranteed (the "Subsidiary Guarantee") as to payment of principal, interest, liquidated damages and premium, if any, on an unsecured senior subordinated basis, by the Guarantor on and after the Subsidiary Guarantee Effectiveness Date (as defined in the Indenture). The Senior Notes will also be secured by a first priority lien on all of the Capital Interests (as defined in the Indenture) of the Operating Partnership held by the Partnership pursuant to a Pledge Agreement, to be dated April 26, 1996 (the "Pledge Agreement"), among the

Partnership, Ferrellgas, Inc., a Delaware corporation (the "General Partner"), and the Trustee, as collateral agent (the "Collateral Agent"). The offering of the Series A Senior Notes by the Issuers is referred to herein as the "Offering." Capitalized terms used but not defined herein shall have the meanings given to such terms in the Indenture and the Registration Rights Agreement (as defined below), as the case may be.

2. Offering Documents. The Series A Senior Notes will be offered and sold to the Initial Purchasers pursuant to an exemption from the registration requirements under the Act. The Issuers have prepared a preliminary offering memorandum, dated April 10, 1996 (the "Preliminary Offering Memorandum"), and a final offering memorandum, dated April 23, 1996 (the "Offering Memorandum" and, together with the Preliminary Offering Memorandum, the "Offering Documents"), in connection with the Offering.

Upon original issuance thereof, and until such time as the same is no

longer required under the applicable requirements of the Act, the Series A Senior Notes shall bear the following legend:

"THE SENIOR NOTE (OR ITS PREDECESSOR) EVIDENCED HEREBY WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER SECTION 5 OF THE UNITED STATES SECURITIES ACT OF 1933 (THE "SECURITIES ACT"), AND THE SENIOR NOTE EVIDENCED HEREBY MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THE SENIOR NOTE EVIDENCED HEREBY IS HEREBY NOTIFIED THAT THE SELLER MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER. THE HOLDER OF THE SENIOR NOTE EVIDENCED HEREBY AGREES FOR THE BENEFIT OF THE ISSUERS THAT (A) SUCH SENIOR NOTE MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (1) (a) INSIDE THE UNITED STATES TO A PERSON WHO THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (b) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144 UNDER THE SECURITIES ACT, (c) OUTSIDE THE UNITED STATES TO A FOREIGN PERSON IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 904 UNDER THE SECURITIES ACT OR (d) IN ACCORDANCE WITH ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT (AND BASED UPON AN OPINION OF COUNSEL IF THE ISSUERS SO REQUEST), (2) TO THE ISSUERS OR (3) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT AND, IN EACH CASE, IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER APPLICABLE JURISDICTION AND (B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER FROM IT OF THE SENIOR NOTE EVIDENCED HEREBY OF THE RESALE RESTRICTIONS SET FORTH IN (A) ABOVE."

3. Agreements to Sell and Purchase. The Issuers agree to issue and sell to the Initial Purchasers, and on the basis of the representations and warranties contained in this Agreement, and subject to its terms and conditions, the Initial Purchasers agree, severally and not jointly, to purchase from the Issuers, Series A Senior Notes in the respective principal amounts set forth opposite their names

on Schedule A hereto at a purchase price equal to 97 1/2% of the principal amount thereof (the "Purchase Price").

4. Terms of Offering. (a) The Initial Purchasers have advised the Issuers that they will make offers (the "Exempt Resales") of the Series A Senior Notes purchased by them hereunder on the terms set forth in the Offering Documents, as amended or supplemented, solely to (i) persons (each, a "144A Purchaser") whom the Initial Purchasers reasonably believe to be Qualified Institutional Buyers and (ii) a limited number of Institutional Accredited Investors who, as purchasers, have executed and delivered to the Initial Purchasers copies of the letter set forth in Appendix A to the Offering Memorandum (together with the Qualified Institutional Buyers, the "Eligible Purchasers"). The Initial Purchasers will offer the Series A Senior Notes to Eligible Purchasers initially at a price equal to 100% of the principal amount thereof. Such price may be changed at any time without notice.

(b) Holders (including subsequent transferees) of Series A Senior Notes will have the registration rights set forth in (i) the registration rights agreement, to be dated April 26, 1996 (the "Registration Rights Agreement"), among the Issuers, the Guarantor and the Initial Purchasers relating to the Series A Senior Notes, pursuant to which Series B Senior Notes will be offered in exchange for the Series A Senior Notes (the "Exchange Offer").

5. Delivery and Payment. Delivery to the Initial Purchasers of and payment for the Series A Senior Notes shall be made at 10:00 A.M., New York City time, on April 26, 1996 (the "Closing Date") at the offices of Latham & Watkins, 885 Third Avenue, New York, New York 10022. The Closing Date and the location of delivery of the Senior Notes may be varied by agreement among the Initial Purchasers and the Partnership.

One or more Series A Senior Notes in definitive form registered in the name of Cede & Co., as nominee of the Depository Trust Company ("DTC"), or such other names as the Initial Purchasers may request upon at least two business days' notice to the Issuers, having an aggregate amount corresponding to the aggregate amount of Series A Senior Notes sold pursuant to Eligible Resales (collectively, the "Global Note") shall be delivered by the Issuers to the Initial Purchasers, against payment by the Initial Purchasers of the Purchase Price thereof by certified or official bank check or checks drawn in, or a wire transfer to an account designated in writing by the Issuers to the Initial Purchasers of, immediately available funds. The Global Note in definitive form shall be made available to the Initial Purchasers for inspection not later than 9:30 a.m. on the business day immediately preceding the Closing Date.

6. Agreements of the Parties. Each of the Partnership, Finance Corp., the Guarantor and the General Partner agrees with each of the Initial Purchasers:

a. To prepare the Offering Documents in a form reasonably approved by the Initial Purchasers;

b. (i) To advise the Initial Purchasers promptly and, if requested by any of the Initial Purchasers, confirm such advice in writing, of receipt of any notification with respect to the issuance by any state securities commission of any stop order suspending the qualification or exemption from qualification of any of the Senior Notes or the Subsidiary Guarantee for offering or sale in any jurisdiction designated by the Initial Purchasers pursuant to clause 6(j) hereof, or the initiation of any proceeding for such purpose by any state securities commission or other regulatory authority, and (ii) to advise the Initial Purchasers promptly and, if requested by the Initial Purchasers, confirm such advice in writing, of the happening of any event during such period as in the Initial Purchasers'

reasonable judgment the Initial Purchasers are required to deliver a Preliminary Offering Memorandum or an Offering Memorandum in connection with sales of the Series A Senior Notes which makes any statement of a material fact made in the Offering Documents (or any supplement or amendment thereto) untrue or that requires the making of any additions to or changes in the Offering Documents (or any supplement or amendment thereto) in order to make the statements therein, in the light of the circumstances under which they are made, not misleading; to use their best efforts to prevent the issuance of any stop order or order suspending the qualification or exemption of the Senior Notes or the Subsidiary Guarantee under any state securities or Blue Sky laws, and, if at any time, any state securities commission or other regulatory authority shall issue an order suspending the qualification or exemption of any of the Senior Notes or the Subsidiary Guarantee under any state securities or Blue Sky laws, to use every reasonable effort to obtain the withdrawal or lifting of such order at the earliest possible time;

c. To furnish to the Initial Purchasers, without charge, such number of copies of the Offering Documents, and any amendments or supplements thereto, as the Initial Purchasers may reasonably request and consent to the use of the Offering Documents, and any amendments and supplements thereto, by the Initial Purchasers in connection with Exempt Resales until such time as the Exchange Offer is Consummated (as defined below). The Exchange Offer shall be deemed "Consummated" for purposes of this Agreement upon the occurrence of (i) the filing and effectiveness of a registration statement under the Act relating to the Series B Senior Notes to be issued in the Exchange Offer, (ii) the maintenance of such registration statement continuously effective and the keeping of the Exchange Offer open for a period not less than the minimum period required pursuant to Section 3(b) of the Registration Rights Agreement and (iii) the delivery by the Issuers to the Registrar under the Indenture of Series B Senior Notes in the same aggregate principal amount as the aggregate principal amount of Series A Senior Notes that were tendered by holders thereof pursuant to the Exchange Offer;

d. Not amend or supplement the Offering Documents prior to the Closing Date unless the Initial Purchasers shall previously have been advised thereof and shall not have reasonably objected thereto; and, at any time prior to the Consummation of the Exchange Offer, to prepare, promptly upon the Initial Purchasers' reasonable request, any amendment or supplement to the Offering Memorandum which may be necessary or advisable in connection with Exempt Resales and furnish without charge to each of the Initial Purchasers as many copies as the Initial Purchasers may from time to time reasonably request of such amended Offering Memorandum or a supplement to the Offering Memorandum;

e. Subject to paragraph (f) below, if, after the date hereof and prior to the completion of the Exempt Resales of the Series A Senior Notes by the Initial Purchasers, any event shall occur as a result of which it becomes necessary to amend or supplement the Offering Documents in order to make the statements therein, in the light of the circumstances when the Offering Documents are delivered to an Eligible Purchaser which is a prospective purchaser, not misleading, or if it is necessary to amend or supplement the Offering Documents to comply with applicable law, forthwith to prepare an appropriate amendment or supplement to the Offering Documents so that the statements therein, as so amended or supplemented, will not, in the light of the circumstances when the Offering Documents are so delivered, be misleading, or so that the Offering Documents will comply with applicable law, and to furnish to the Initial Purchasers such number of copies thereof as the Initial Purchasers may reasonably request;

f. Prior to the Consummation of the Exchange Offer or the effectiveness of an applicable shelf registration statement if, in the reasonable judgment of the Initial Purchasers, the Initial Purchasers or any of their affiliates (as such term is defined in the rules and regulations under the Act) are required to deliver an offering memorandum in connection with sales of, or market-making activities with respect to, the Series A Senior Notes, (A) to periodically amend or supplement the Offering Documents when necessary in order that the information contained in the Offering Documents complies with the requirements of Rule 144A of the Securities Act, (B) to amend or supplement the Offering Documents when necessary to reflect any material changes in the information provided therein so that the Offering Documents will not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in light of the circumstances existing as of the date of the Offering Documents are so delivered, not misleading and (C) to provide the Initial Purchasers with copies of each such amended or supplemented Offering Documents, as the Initial Purchasers may reasonably request.

Following the Consummation of the Exchange Offer or the effectiveness of an applicable shelf registration statement (pursuant to the Registration Rights Agreement) and for so long as the Senior Notes are outstanding if, in the reasonable judgment of the Initial Purchasers, the Initial Purchasers or any of their affiliates (as such term is defined in the rules and regulations under the Act) are required to deliver a prospectus in connection with sales of, or market-making activities with respect to, such securities, (A) to periodically amend the applicable registration statement so that the information contained therein complies with the requirements of Section 10(a) of the Act, (B) to amend the applicable registration statement or supplement the related prospectus or the documents incorporated therein when necessary to reflect any material changes in the information provided therein so that the registration statement and the prospectus will not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in light of the circumstances existing as of the date the prospectus is so delivered, not misleading and (C) to provide the Initial Purchasers with copies of each such amendment or supplement as the Initial Purchasers may reasonably request.

g. To comply with their agreements in the Registration Rights Agreement, and all agreements set forth in the representation letters of the Issuers to DTC relating to the approval of the Series A Senior Notes by DTC for "book-entry" transfer;

h. To cause the Exchange Offer, if available, to be made in the appropriate form, as contemplated by the Registration Rights Agreement, to permit registration of the Series B Senior Notes to be offered in exchange for the Series A Senior Notes, and to comply with all applicable federal and state securities laws in connection with the Exchange Offer;

i. To use their best efforts to effect the inclusion of the Series A Senior Notes in the National Association of Securities Dealers, Inc. Automated Quotation System - PORTAL ("PORTAL");

j. Promptly from time to time to take such action as the Initial Purchasers may reasonably request to qualify the Series A Senior Notes for offering and sale by the Initial Purchasers under the state securities or Blue Sky laws of such jurisdictions as the Initial Purchasers may reasonably request and to comply with such laws so as to permit Exempt Resales in such jurisdictions for as long as required, provided that in connection therewith neither the Issuers, the Guarantor nor the General Partner shall be required to qualify as a foreign partnership or corporation or to file a general consent to service of process in any jurisdiction in which it is not so qualified or has not so filed;

k. For so long as any of the Senior Notes remain outstanding and during any period in which neither Issuer is subject to Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, including the rules and regulations thereunder (the "Exchange Act"), to make available to any Eligible Purchaser, beneficial owner or holder of Senior Notes in connection with any sale thereof and any prospective purchaser of such Senior Notes, the information required by Rule 144A(d)(4) under the Act, and otherwise fully comply in a timely manner with all provisions of the Exchange Act, in connection with the registration, if any, of the Senior Notes and the Subsidiary Guarantee thereunder;

l. To furnish to the holders of Senior Notes within 120 days after the end of each fiscal year an annual report (including a balance sheet and statements of income, security holders' equity and cash flow of each of the Issuers and the Guarantor and the entities consolidated therewith certified by independent public accountants) and, within 90 days after the end of each of the first three quarters of each fiscal year, consolidated summary financial information of each of the Issuers and the Guarantor for such quarter in reasonable detail;

m. During a period of five years from the date of this Agreement, to furnish to the Initial Purchasers copies of all reports or other communications (financial or other) furnished to security holders of each of the Issuers and the Guarantor, and deliver to the Initial Purchasers (i) as soon as they are available, copies of any reports and financial statements furnished to or filed with the Securities and Exchange Commission (the "Commission") or any national securities exchange on which any class of securities of the Issuers or the Guarantor is listed; and (ii) such additional information concerning the business and financial condition of each of the Issuers and the Guarantor as the Initial Purchasers may from time to time reasonably request (such financial statements to be on a consolidated basis to the extent the accounts of any Issuer, the Guarantor and the entities consolidated therewith are consolidated in reports furnished to its security holders generally);

n. Not to sell, offer for sale or solicit offers to buy or otherwise negotiate in respect of any security (as defined in the Act) that would be integrated with the sale of any of the Series A Senior Notes in a manner that would require the registration under the Act of the sale to the Initial Purchasers or the Eligible Purchasers of the Series A Senior Notes;

o. Whether or not the transactions contemplated by this Agreement are consummated or this Agreement becomes effective or is terminated, to pay all costs, expenses, fees and taxes incident to and in connection with; (i) the preparation, printing and filing of the Offering Documents (including, without limitation, financial statements and exhibits) and amendments and supplements thereto and the mailing and delivering of copies thereof to the Initial Purchasers and dealers; (ii) the preparation, printing, producing and delivery of this Agreement, the Indenture, the Registration Rights Agreement, the Pledge Agreement, all Blue Sky Memoranda and any other agreements, memoranda, correspondence and other documents printed and delivered in connection herewith and with the Exempt Resales; (iii) the issuance and delivery by the Issuers and the Guarantor of the Senior Notes and the Subsidiary Guarantee; (iv) the registration or qualification of the Series A Senior Notes for offering and sale under state securities laws as provided in paragraph 6(j) above, including, without limitation, the reasonable fees and disbursements of counsel for the Initial Purchasers in connection with such qualification and in connection with the Blue Sky Memoranda; (v) preparing and delivering certificates representing the Senior Notes (including, without limitation, printing and engraving thereof); (vi) the rating of the Series A Senior Notes by rating agencies; (vii) the application for quotation of the Series A Senior Notes in PORTAL; (viii) furnishing such copies of the Offering Documents, and all amendments and supplements thereto, as may be reasonably

requested for use in connection with the Exempt Resales; (ix) the fees, disbursements and expenses of the Issuers' and Guarantor's counsel and accountants incurred in connection with the transactions contemplated by this Agreement; (x) the reasonable fees, disbursements and expenses of Latham & Watkins, as counsel to the Initial Purchasers incurred in connection with the transactions contemplated by this Agreement; (xi) approval of the Series A Senior Notes by DTC for "book-entry" transfer (including fees and expenses of counsel of the Issuers and Guarantor); and (xii) all other costs and expenses incident to the performance of obligations hereunder which are not otherwise specifically provided for in this Section;

p. To use the net proceeds from the sale of the Series A Senior Notes pursuant to this Agreement in the manner specified in the Offering Documents under the caption "Use of Proceeds";

q. Not to voluntarily claim, and to actively resist any attempts to claim, the benefit of any usury laws against the holders of Senior Notes;

r. To use their best efforts to do and perform all things required to be done and performed under this Agreement by them prior to or after the Closing Date and to satisfy all conditions precedent on their part to the delivery of the Series A Senior Notes;

s. Not to distribute prior to the Closing Date any offering material in connection with the offering and sale of the Series A Senior Notes other than the Offering Documents;

t. To file with the Commission, not later than 15 days after the Closing Date, five copies of a notice on Form D under the Act (one of which will be manually signed by a person duly authorized by the Issuers); to otherwise comply with the requirements of Rule 503 under the Act; and to furnish promptly to the Initial Purchasers evidence of each such required timely filing (including a copy thereof); and

u. Prior to the expiration of the earlier to occur of (i) three years after the Closing Date and (ii) such time as the Series A Senior Notes are exchanged for registered Series B Senior Notes pursuant to the Exchange Offer and the Series A Senior Notes are no longer outstanding, to not resell any of the Series A Senior Notes which constitute "restricted securities" under Rule 144 that have been reacquired by any of the Issuers, the Guarantor or their respective subsidiaries.

7. Representations and Warranties of the Partnership, Finance Corp., the General Partner and the Guarantor. Each of the Partnership, Finance Corp., the General Partner and the Guarantor represents and warrants to, and agrees with, each of the Initial Purchasers that:

a. No stop order preventing or suspending the use of any of the Offering Documents, or any amendment or supplement thereto, nor any order asserting that any of the transactions contemplated by this Agreement are subject to the registration requirements of the Act have been issued by the Commission or any other federal or state securities commission or regulatory authority;

b. The Offering Documents have been prepared in connection with the Exempt Resales. The Preliminary Offering Memorandum as of its date does not, and the Offering Memorandum as of its date does not and as of the Closing Date will not, and any amendment or supplement thereto will not, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that this representation and warranty

shall not apply to any statements or omissions made in reliance upon and in conformity with information furnished in writing to the Issuers by the Initial Purchasers expressly for use therein;

c. Subsequent to the respective dates as of which information is given in the Preliminary Offering Memorandum, the Offering Memorandum and any supplement or amendment thereto and up to the Closing Date, (i) none of the Partnership, Finance Corp., the General Partner or the Guarantor or any of their respective subsidiaries (collectively, the "Subsidiaries") has incurred (A) any material loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor dispute or court or governmental action, order or decree, otherwise than as set forth or contemplated in the Offering Memorandum or (B) any liabilities or obligations, direct or contingent, which are material to the Partnership, Finance Corp., the General Partner, the Guarantor and the Subsidiaries, taken as a whole, or entered into any material transaction not in the ordinary course of business, and (ii) there has not been any change in the capitalization or long-term debt or increase in short-term debt of the Partnership, Finance Corp., the General Partner or the Guarantor or, singly or in the aggregate, any material adverse change, or any development which may reasonably be expected to involve a material adverse change, in the properties, business, general affairs, management, condition (financial or otherwise), financial position, results of operations or prospects of the Partnership, Finance Corp., the General Partner, the Guarantor and the Subsidiaries, taken as a whole, otherwise than as set forth or contemplated in the Offering Documents;

d. The firm of accountants that has certified or shall certify the applicable consolidated financial statements and supporting schedules of the Partnership, its Subsidiaries and Skelgas Propane, Inc., a Delaware corporation ("Skelgas") to be included in the Offering Documents are independent public accountants with respect to the Partnership, its Subsidiaries and Skelgas, as required by the Act. The consolidated historical and pro forma financial statements, together with related schedules and notes, set forth in the Offering Memorandum comply as to form in all material respects with the applicable requirements of the Act; at April 23, 1996, the Partnership would have had, on the pro forma basis indicated in the Offering Memorandum, a duly authorized and outstanding capitalization as set forth therein. The audited balance sheet of the Partnership included in the Offering Memorandum presents fairly the financial position of the Partnership as of the date indicated. The audited historical consolidated financial statements of Skelgas included in the Offering Memorandum present fairly the consolidated financial position of Skelgas as of the dates indicated and its results of operation and cash flows for the periods specified. Such audited and unaudited historical consolidated financial statements included in the Offering Documents have been prepared in conformity with generally accepted accounting principles applied on a substantially consistent basis, except to the extent disclosed therein; the historical information set forth in the Offering Documents under the caption "Selected Historical Consolidated Financial Data" is fairly stated in all material respects in relation to the audited and unaudited historical consolidated financial statements from which it has been derived. The pro forma financial information set forth in the Offering Documents under the caption "Unaudited Pro Forma Combined Financial Statements" is fairly stated in all material respects in relation to the pro forma financial statements from which it has been derived. The pro forma financial statements of the Partnership included in the Offering Documents have been prepared on a basis consistent with such historical statements, except for the pro forma adjustments specified therein, and in accordance with the applicable published rules and regulations of the Commission, the assumptions used in the preparation of such pro forma financial statements are reasonable, and the pro forma entries reflected in such pro forma financial statements have been properly applied in such pro forma financial statements. The other financial and statistical information and data included in the Offering Documents, historical and pro forma, are, in all

material respects, accurately presented and prepared on a basis consistent with such financial statements and the books and records of the Partnership, the General Partner, the Guarantor and Skelgas;

e. Each of the Partnership and the Operating Partnership has been duly formed and is validly existing as a limited partnership under the Delaware Revised Limited Uniform Partnership Act (the "Delaware Act"), with partnership power and authority to own or lease its properties and conduct its business as described in the Offering Memorandum, and has been duly qualified or registered as a foreign limited partnership for the transaction of business under the laws of each jurisdiction in which the failure to so qualify or register would have a material adverse effect upon the Partnership or the Operating Partnership or subject the Partnership or the Operating Partnership to any material liability or disability;

f. The General Partner is the sole general partner of the Partnership with a general partner interest in the Partnership of 1.0%. Such general partner interest is duly authorized by the Agreement of Limited Partnership of the Partnership (the "Partnership Agreement"), and is validly issued to the General Partner and is fully paid. The General Partner owns such general partner interest free and clear of all liens, encumbrances, charges or claims;

g. The General Partner is the sole general partner of the Operating Partnership with a general partner interest in the Partnership of 1.0101%. Such general partner interest is duly authorized by the Agreement of Limited Partnership of the Operating Partnership (the "Operating Partnership Agreement"), and is validly issued to the General Partner and is fully paid. The General Partner owns such general partner interest free and clear of all liens, encumbrances, charges or claims;

h. The Partnership is the sole limited partner of the Operating Partnership, with a limited partner interest of 98.9899%. Such limited partner interest is duly authorized by the Operating Partnership Agreement, is validly issued and is fully paid and non-assessable (except as such non-assessability may be affected by the Partnership Agreement). The Partnership owns such limited partner interest free and clear of all liens, encumbrances, charges or claims except for the liens, encumbrances, charges or claims created by the Pledge Agreement;

i. Each of the General Partner and Finance Corp. has been duly incorporated and is validly existing as a corporation in good standing under the laws of the state of its incorporation, with power and authority (corporate and other) to own or lease its properties, to conduct its business and (in the case of the General Partner) to act as general partner of the Partnership, in each case as described in the Offering Documents, and has been duly qualified as a foreign corporation for the transaction of business and is in good standing under the laws of each other jurisdiction in which the failure to so qualify or register would have a material adverse effect upon the General Partner, the Partnership, the Operating Partnership or Finance Corp. or subject the General Partner, the Partnership, the Operating Partnership or Finance Corp. to any material liability or disability;

j. All of the issued shares of capital stock of the General Partner have been duly authorized and validly issued and are fully paid and non-assessable; and all of the issued shares of capital stock of the General Partner are owned by Ferrell Companies, Inc., a Kansas corporation ("Ferrell"), free and clear of all liens, security interests, mortgages, pledges, encumbrances, equities or claims (each a "Lien") except as set forth in the Offering Documents and except for such Liens created pursuant to the pledge agreement entered into in connection with that certain Amended and Restated Loan Agreement, dated as of May 10, 1993, among Ferrellgas, Inc., Stratton Insurance Company, Inc.,

Ferrell Companies, Inc., One Liberty Oil Company, Ferrellgas International (F.L.) Establishment, Vaduz and Wells Fargo Bank, National Association, as agent and the other lenders party thereto (the "Wells Fargo Agreement") (such pledge agreement is referred to herein as the "Existing Pledge Agreement");

k. All of the issued and outstanding shares of capital stock of, or other ownership interests in, each Subsidiary of the Partnership, Finance Corp., the General Partner and the Guarantor have been duly and validly authorized and issued, and all of the shares of capital stock of, or other ownership interests in, each such Subsidiary are owned, directly or through other Subsidiaries, by the Partnership, Finance Corp. or the General Partner, as the case may be. All such shares of capital stock or ownership interests are fully paid and nonassessable, and are owned free and clear of any Liens (except for the Liens created pursuant to the Pledge Agreement). There are no outstanding subscriptions, rights, warrants, options, calls, convertible securities, commitments of sale or Liens (except for the Liens created pursuant to the Pledge Agreement) related to or entitling any person to purchase or otherwise to acquire any shares of the capital stock of, or other ownership interest in, any such Subsidiary;

l. Each of the Partnership and its Subsidiaries has good and indefeasible title to all of its real and personal property, free and clear of all liens, encumbrances, security interests, equities, charges, claims or defects except such as are described in the Offering Documents or such as do not materially interfere with the ownership or benefits of ownership or materially increase the cost of ownership of such properties, taken as a whole. All of the properties owned by the Partnership and its Subsidiaries are accurately reflected in the Partnership's consolidated financial statements at and for the period ended January 31, 1996. All real property, buildings and equipment held under lease by the Partnership and its Subsidiaries are held by the Partnership or its Subsidiaries under valid, subsisting and enforceable leases and, the Partnership and its Subsidiaries have the right to use all such real such property, buildings and equipment in a manner consistent with the past business practices of the Partnership and its Subsidiaries, in each case, except as described in the Offering Memorandum and except as are not material and do not interfere with the use made and proposed to be made of such real property, buildings and equipment by the Partnership and its Subsidiaries;

m. Each of the Partnership, Finance Corp., the General Partner and the Guarantor has full power and authority to execute, deliver and perform this Agreement and the Operative Agreements (as defined below), as applicable; each of the Partnership and Finance Corp. has full power and authority to authorize, issue, sell and deliver the Senior Notes; and the Guarantor has full power and authority to authorize, issue and deliver the Subsidiary Guarantee;

n. This Agreement has been duly authorized, executed and delivered by each of the Partnership, Finance Corp., the General Partner and the Guarantor and (assuming the due execution and delivery by the Initial Purchasers) is a valid and legally binding agreement of each of the Partnership, Finance Corp., the General Partner and the Guarantor, enforceable against each of them in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles. This Agreement, the Pledge Agreement, the Registration Rights Agreement, and the Indenture are herein collectively referred to as the "Operative Agreements";

o. The Series A Senior Notes have been duly authorized by each Issuer and, when issued and delivered pursuant to this Agreement (and, as to the Series B Senior Notes, the Registration Rights Agreement) and duly authenticated by the Trustee under the Indenture, will have been duly executed

by each Issuer and will conform in all material respects to the description thereof in the Offering Documents. When the Series A Senior Notes are issued, authenticated and delivered in accordance with the Indenture and paid for in accordance with the terms of this Agreement (and, as to the Series B Senior Notes, the Registration Rights Agreement), they will constitute valid and legally binding obligations of each Issuer, enforceable against each Issuer in accordance with their terms and entitled to the benefits of the Indenture under which they are to be issued, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles;

p. The Indenture has been duly authorized by each of the Issuers and the Guarantor and, at the Closing Date, will have been duly executed by each of the Issuers and the Guarantor, will conform in all material respects to the description thereof in the Offering Documents and will be in a form which would meet the requirements for qualification under the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act"). When the Indenture has been duly executed and delivered, the Indenture will be a valid and legally binding agreement of each of the Issuers and the Guarantor, enforceable against each of the Issuers and the Guarantor in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles;

q. The Pledge Agreement has been duly authorized, executed and delivered by the Partnership and the General Partner and (assuming the due execution and delivery by the Initial Purchasers) is a valid and legally binding agreement of each of the Partnership and the General Partner, enforceable against each of them in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles; the Pledged Collateral (as defined in the Pledge Agreement) have not been pledged to any person other than the Collateral Agent; the Pledge Agreement will conform in all material respects to the description thereof in the Offering Documents;

r. The Registration Rights Agreement has been duly authorized by each of the Issuers and the Guarantor and, when the Issuers and the Guarantor have duly executed and delivered the Registration Rights Agreement (assuming the due authorization, execution and delivery thereof by the Initial Purchasers), the Registration Rights Agreement will be the legally valid and binding obligation of each of the Issuers and the Guarantor, enforceable against each of them in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles; the Registration Rights Agreement will conform in all material respects to the description thereof in the Offering Documents;

s. The Subsidiary Guarantee to be issued with the Senior Notes has been duly authorized by the Guarantor, and, when executed and delivered in accordance with the terms of the Indenture and when the Senior Notes have been issued and authenticated in accordance with the terms of the Indenture and delivered to and paid for by the Initial Purchasers in accordance with the terms of this Agreement, will be the valid and legally binding obligation of the Guarantor, enforceable against the Guarantor in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles. The Subsidiary Guarantee, when issued, will conform in all material respects to the description thereof in the Offering Memorandum;

t. The capitalization of the Partnership is in all material respects as described in the Offering Documents under the caption "Capitalization;"

u. The issuance and sale of the Senior Notes by the Partnership and Finance Corp., the issuance of the Subsidiary Guarantee by the Guarantor and the execution, delivery and performance by the Partnership, Finance Corp., the General Partner, and the Guarantor, as the case may be, of the Operative Agreements to which they are a party will not conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default or cause an acceleration of any obligation under, or result in the imposition or creation of (or the obligation to create or impose) a Lien (other than the Lien incurred pursuant to the Pledge Agreement) with respect to, any material bond, note, debenture or other evidence of indebtedness or any material indenture, mortgage, deed of trust, loan agreement, contract, lease, or other agreement or instrument to which the Partnership, Finance Corp., the General Partner, the Guarantor or any of the Subsidiaries is a party or by which the Partnership, Finance Corp., the General Partner, the Guarantor or any of the Subsidiaries is bound or to which any of their properties or assets is subject nor will such action result in any breach or violation of the provisions of charter, bylaws or partnership agreements of the Partnership, Finance Corp., the General Partner, the Guarantor or any of the Subsidiaries or contravene any order of any court or governmental agency or body having jurisdiction over the Partnership, Finance Corp., the General Partner, the Guarantor or any of the Subsidiaries or any of their respective properties, or violate or conflict with any statute, rule or regulation or administrative or court decree applicable to the Partnership, Finance Corp., the General Partner, the Guarantor or any of the Subsidiaries or any of their respective properties, and no consent, approval, authorization, order, registration or qualification of or with any such court or governmental agency or body is required for the execution, delivery and performance by each of the Partnership, Finance Corp., the General Partner, the Guarantor and the Subsidiaries of the Operative Agreements, the issuance and sale of the Senior Notes, the issuance of the Subsidiary Guarantee and the consummation of the transactions contemplated hereby and thereby, except for (i) the filing of a registration statement by the Issuers and the Guarantor pursuant to the Registration Rights Agreement, (ii) the filing of a notice on Form D by the Issuers with the Commission pursuant to Section 6(t) hereof, (iii) such consents, approvals, authorizations, orders, registrations or qualifications (A) as have been, or prior to the Closing Date will be, obtained or (B) as may be required under state securities or Blue Sky laws in connection with the purchase and distribution of the Senior Notes by the Initial Purchasers and (iv) such approvals, authorizations, orders, registrations and qualifications as may be required under the Act, the Trust Indenture Act and state securities or Blue Sky laws in connection with the Exchange Offer or resale registration contemplated by the Offering Documents and described in the Registration Rights Agreement;

v. No action has been taken and no statute, rule or regulation or order has been enacted, adopted or issued by any governmental agency or body which prevents the issuance of the Senior Notes or the Subsidiary Guarantee, prevents or suspends the use of the Offering Documents or suspends the sale of the Senior Notes in any jurisdiction referred to in Section 6(j) hereof; no injunction, restraining order or order of any nature by a federal or state court of competent jurisdiction has been issued with respect to the Partnership, Finance Corp., the General Partner, the Guarantor or any of the Subsidiaries which would prevent or suspend the issuance or sale of the Senior Notes or the use of any Offering Documents in any jurisdiction referred to in Section 6(j) hereof; no action, suit or proceeding is pending against or, to the best knowledge of the Partnership, Finance Corp., the General Partner or the Guarantor, threatened against or affecting the Partnership, Finance Corp., the General Partner, the Guarantor or any of the Subsidiaries before any court or arbitrator or any governmental body, agency or official, domestic or foreign, which, if adversely

determined, would materially interfere with or adversely affect the issuance of the Senior Notes or the Subsidiary Guarantee or in any manner draw into question the validity of any of the Operative Agreements, the Senior Notes and the Subsidiary Guarantee; and every request of the Commission or any securities authority or agency of any jurisdiction for additional information (to be included in the Offering Documents or otherwise) has been complied with in all material respects;

w. The Partnership and its Subsidiaries have, or at or before the Closing Date will have, all necessary consents, approvals, authorizations, orders, registrations and qualifications (or the equivalent thereof in all material respects) of or with any court or governmental agency or body having jurisdiction over it or any of its properties or of or with any other person to permit each of the Partnership and its Subsidiaries to conduct its business substantially in accordance with the past practice of the Partnership and its Subsidiaries, as applicable, except such consents, approvals, authorizations, orders, registrations or qualifications which, if not obtained, would not, individually or in the aggregate, have a material adverse effect upon the properties, business, general affairs, management, condition (financial or otherwise), financial position, results of operations, or prospects of the Partnership, Finance Corp., the General Partner, the Guarantor and the Subsidiaries taken as a whole, or upon the holders of Senior Notes;

x. Except as set forth or contemplated in the Offering Documents or as contemplated by this Agreement, neither the Partnership nor Finance Corp. has incurred any material liabilities or obligations, direct or contingent, or entered into any material agreement or engaged in any material business other than in connection with its formation;

y. Other than as set forth in the Offering Documents, there is no action, suit or proceeding before or by any court or governmental agency or body, domestic or foreign, pending against the Partnership, Finance Corp., the General Partner, the Guarantor or any of the Subsidiaries, or any of their respective properties, which is required to be disclosed in the Offering Documents and is not so disclosed, which, if determined adversely to such person, would individually or in the aggregate have a material adverse effect upon the properties, business, general affairs, management, condition (financial or otherwise), financial position, results of operations or prospects of the Partnership, Finance Corp., the General Partner, the Guarantor and the Subsidiaries, taken as a whole, or which could reasonably be expected to materially and adversely affect the consummation of the Operative Agreements; and to the best of the knowledge of the Partnership, Finance Corp., the General Partner and the Guarantor, no such actions, suits or proceedings are threatened or contemplated by governmental authorities or threatened by others;

z. The statements made in the Offering Documents under the caption "Description of Senior Notes," insofar as they purport to constitute summaries of the terms of the Senior Notes and the Indenture, under the caption "Description of Existing Indebtedness," insofar as they purport to constitute summaries of the terms of the Operating Partnership Indenture (as defined in the Indenture) and the Credit Facility (as defined in the Indenture), and under the caption "The Skelgas and Superior Acquisitions," under the caption "The Partnership Agreement," under the caption "Certain Federal Income Tax Consequences" and under the caption "Plan of Distribution," insofar as they describe the provisions of the documents therein, are accurate, complete and fair summaries;

aa. None of the Partnership, Finance Corp., the General Partner, the Guarantor and the Subsidiaries is in: (i) breach or violation of its agreement of limited partnership or of its charter or bylaws, as the case may be; or (ii) default (and no event has occurred which, with notice or lapse of time or both, would constitute such a default) in the due performance or observance of any term,

covenant or condition contained in any bond, note, debenture or other evidence of indebtedness or any indenture, mortgage, deed of trust, loan agreement, contract, lease or other agreement or instrument to which it is a party or by which it is bound or to which any of its properties or assets is subject; or (iii) violation of any statute, rule or regulation or administrative or court decree applicable to it or any of its properties, which default or violation described in clause (ii) or (iii), individually or in the aggregate, could have a material adverse effect upon the holders of Senior Notes or the properties, business, general affairs, management, prospects, condition (financial or otherwise), financial position or results of operations of any of the Partnership, Finance Corp., the General Partner, the Guarantor and the Subsidiaries taken as a whole;

ab. Except as described in the Offering Documents, (i) each of the Partnership, Finance Corp., the General Partner, the Guarantor and the Subsidiaries has all certificates, consents, exemptions, orders, permits, licenses, authorizations, or other approvals (each, an "Authorization") of and from, and has made all declarations and filings with, all federal, state, local and other governmental authorities, all self-regulatory organizations and all courts and other tribunals, necessary or required to own, lease, license and use its properties and assets and to conduct its business in the manner described in the Offering Documents, except to the extent that the failure to obtain or file would not, singly or in the aggregate, have a material adverse effect upon the ability of the Partnership, Finance Corp., the General Partner, the Guarantor or the Subsidiaries to conduct their businesses in all material respects as currently conducted and as contemplated by the Offering Documents to be conducted; (ii) all such Authorizations are valid and in full force and effect; (iii) the Partnership, Finance Corp., the General Partner, the Guarantor and the Subsidiaries are in compliance in all material respects with the terms and conditions of all such Authorizations and with the rules and regulations of the regulatory authorities and governing bodies having jurisdiction with respect thereto; and, (iv) except as described in the Offering Documents, none of the Partnership, Finance Corp., the General Partner, the Guarantor and the Subsidiaries has received any notice of proceedings relating to the revocation or modification of any such Authorization which, individually or in the aggregate, if the subject of an unfavorable decision, ruling or filing, would be expected to have a material adverse effect upon the ability of the Partnership, Finance Corp., the General Partner, the Guarantor and the Subsidiaries to conduct their businesses in all material respects as currently conducted and as contemplated by the Offering Documents to be conducted;

ac. None of the Partnership, Finance Corp., the General Partner, the Guarantor and the Subsidiaries has violated any environmental safety or similar law or regulation applicable to their business relating to the protection of human health and safety, the environment or hazardous or toxic substances or wastes, pollutants or contaminants ("Environmental Laws"), lacks any permits, licenses or other approvals required of them under applicable Environmental Laws to own, lease and operate their respective properties and to conduct their business in the manner described in the Offering Documents, is violating any terms and conditions of any such permit, license or approval or has permitted to occur any event that allows, or after notice or lapse of time would allow, revocation or termination of any such permit, license or approval or results in any other impairment of their rights thereunder, which in each case might result, singly or in the aggregate, in a material adverse effect on the Partnership, Finance Corp., the General Partner, the Guarantor and the Subsidiaries, taken as a whole (a "Material Adverse Effect"). None of the Partnership, Finance Corp., the General Partner, the Guarantor and the Subsidiaries violated any federal, state or local law relating to discrimination in the hiring, promotion or pay of employees prior to any applicable wage or hour laws, nor any provisions of the Employee Retirement Income Security Act of 1974 ("ERISA") or the rules and regulations promulgated thereunder, nor has the Partnership, Finance Corp., the General Partner, the Guarantor or any of the Subsidiaries engaged in any unfair labor practice,

which in each case might result, singly or in the aggregate, in a Material Adverse Effect. There is (i) no significant unfair labor practice complaint pending against the Partnership, Finance Corp., the General Partner, the Guarantor or the Subsidiaries or, to the best knowledge of the Partnership, Finance Corp., the General Partner and the Guarantor, threatened against any of them before the National Labor Relations Board or any state or local labor relations board, and no significant grievance or significant arbitration proceeding arising out of or under any collective bargaining agreement is so pending against the Partnership, Finance Corp., the General Partner, the Guarantor or any of the Subsidiaries or, to the best knowledge of the Partnership, Finance Corp., the General Partner and the Guarantor, threatened against any of them, (ii) no significant strike, labor dispute, slowdown or stoppage pending against the Partnership, Finance Corp., the General Partner, the Guarantor or any of the Subsidiaries or, to the best knowledge of the Partnership, Finance Corp., the General Partner or the Guarantor, threatened against the Partnership, Finance Corp., the General Partner, the Guarantor or any of the Subsidiaries and (iii) to the best knowledge of the Partnership, Finance Corp., the General Partner and the Guarantor, no union representation question existing with respect to the employees of the Partnership, Finance Corp., the General Partner, the Guarantor or any of the Subsidiaries and, to the best knowledge of the Partnership, Finance Corp., the General Partner and the Guarantor, no union organizing activities are taking place, except (with respect to any matter specified in clause (i), (ii) or (iii) above, singly or in the aggregate) such as could not have a Material Adverse Effect;

ad. All tax returns required to be filed by the Partnership, Finance Corp., the General Partner, the Guarantor and the Subsidiaries in any jurisdiction have been filed, other than those filings being contested in good faith, and all material taxes, including withholding taxes, penalties and interest, assessments, fees and other charges due or claimed to be due from such entities have been paid, other than those being contested in good faith and for which adequate reserves have been provided or those currently payable without penalty or interest;

ae. Except pursuant to this Agreement, none of the Partnership, Finance Corp., the General Partner, the Guarantor and the Subsidiaries has (i) taken, directly or indirectly, any action designed to cause or to result in, or that has constituted or which might reasonably be expected to constitute, the stabilization or manipulation of the price of any security of any Issuer to facilitate the sale or resale of the Senior Notes or (ii) since the date of the Preliminary Offering Memorandum (A) sold, bid for, purchased, or paid anyone any compensation for soliciting purchases of, the Senior Notes or (B) paid or agreed to pay to any person any compensation for soliciting another to purchase any other securities of the Partnership, Finance Corp. or the Guarantor;

af. None of the Partnership, Finance Corp., the General Partner, the Guarantor nor any of the Subsidiaries is (i) an "investment company" or a company "controlled" by an investment company within the meaning of the Investment Company Act of 1940, as amended, or (ii) a "holding company" or a "subsidiary company" of a holding company, or an "affiliate" thereof within the meaning of the Public Utility Holding Company Act of 1935, as amended;

ag. Except as disclosed in the Offering Documents, no holder of any security of the Partnership, Finance Corp. or the Guarantor has or will have any right to require the registration of such security by virtue of any transaction contemplated by this Agreement;

ah. None of the Partnership, Finance Corp., the General Partner, the Guarantor or the Subsidiaries does business with the government of Cuba or with any person or affiliate located in Cuba within the meaning of Section 517.075 of Florida Statutes (Chapter 92-198, Laws of Florida);

ai. At the Closing Date, the General Partner will have (excluding its interests in the Partnership and the Operating Partnership and any notes receivable from or payable to the Partnership or the Operating Partnership) a net worth of at least $25,000,000;

aj. Each of the Partnership, Finance Corp., the General Partner, the Guarantor and the Subsidiaries maintains insurance which is adequate in accordance with customary industry practice; none of the Partnership, Finance Corp., the General Partner, the Guarantor and the Subsidiaries has received notice from any insurer or agent of such insurer that substantial capital improvements or other expenditures will have to be made in order to continue such insurance; all such insurance is outstanding and duly in force on the date hereof and will be outstanding and duly in force at the Closing Date;

ak. Each certificate signed by any officer of the Partnership, Finance Corp., the General Partner and the Guarantor and delivered to the Initial Purchasers or counsel for the Initial Purchasers shall be deemed to be a joint and several representation and warranty by the Partnership, Finance Corp., the General Partner and the Guarantor to each Initial Purchaser as to the matters covered thereby;

al. When the Series A Senior Notes and the Subsidiary Guarantee are issued and delivered pursuant to this Agreement, such Series A Senior Notes and Subsidiary Guarantee will not be of the same class (within the meaning of Rule 144A under the Act) as securities of the Issuers or the Guarantor that are listed on a national securities exchange registered under Section 6 of the Exchange Act or that are quoted in a United States automated inter-dealer quotation system;

am. Assuming (i) that the Initial Purchasers' representations and warranties in Section 8 are true, (ii) that the representations of the Institutional Accredited Investors set forth in the certificates of such Institutional Accredited Investors in the form set forth in Appendix A to the Offering Memorandum are true and (iii) that each of the Eligible Purchasers is a Qualified Institutional Buyer or an Institutional Accredited Investor, the purchase and resale of the Series A Senior Notes and the Subsidiary Guarantee of the Series A Senior Notes pursuant hereto (including pursuant to the Exempt Resales) is exempt from the registration requirements of the Act and no registration under the Act of the Series A Senior Notes and the Subsidiary Guarantee of the Series A Notes is required. No form of general solicitation or general advertising (as such terms are defined in Regulation D under the Act) was used by the Partnership, Finance Corp., the Guarantor, the General Partner or any of their representatives (other than the Initial Purchasers, as to whom the Partnership, Finance Corp., the General Partner and the Guarantor make no representation) in connection with the offer and sale of the Series A Senior Notes and the Subsidiary Guarantee of the Series A Senior Notes, including, but not limited to, articles, notices or other communications published in any newspaper, magazine, or similar medium or broadcast over television or radio, or any seminar or meeting whose attendees have been invited by any general solicitation or general advertising. No securities of the same class as the Senior Notes or the Subsidiary Guarantee of the Series A Senior Notes have been issued and sold by any of the Issuers or the Guarantor within the six-month period immediately prior to the date hereof;

an. The execution and delivery of the Operative Agreements, the sale of the Series A Senior Notes to be purchased by the Eligible Purchasers and the issuance of the Subsidiary Guarantee of the Series A Senior Notes will not involve any prohibited transaction within the meaning of Section 406 of ERISA or Section 4975 of the Code. The representation made by the Partnership, Finance Corp., the General Partner and the Guarantor in the preceding sentence is made in reliance upon and

subject to the accuracy of, and compliance with, the representations and covenants made or deemed made by the Eligible Purchasers as set forth in the Offering Memorandum under the Section entitled "Notice to Investors";

ao. None of the Partnership, Finance Corp., the General Partner, the Guarantor and any Subsidiary (or any agent thereof acting on the behalf of any of them) has taken, and none of them will take, any action that might cause this Agreement, the issuance or sale of the Series A Senior Notes or the issuance of the Subsidiary Guarantee of the Series A Senior Notes to violate Regulation G (12 C.F.R. Part 207), Regulation T (12 C.F.R. Part 220), Regulation U (12 C.F.R. Part 221) or Regulation X (12 C.F.R. Part 224) of the Board of Governors of the Federal Reserve System, in each case as in effect now or as the same may hereafter be in effect on the Closing Date;

ap. The Indenture is not required to be qualified under the Trust Indenture Act prior to the first to occur of (i) the Exchange Offer and (ii) the effectiveness of the Shelf Registration Statement (as such term is defined in the Registration Rights Agreement); and

aq. Each of the Offering Documents and each amendment or supplement thereto, as of its date, contains all the information specified in, and meets the requirements of, Rule 144A(d)(4) under the Act.

8. Initial Purchasers' Representations and Warranties.
The Initial Purchasers represent and warrant as follows:

a. Each of the Initial Purchasers is either a Qualified Institutional Buyer or an Institutional Accredited Investor, in either case with such knowledge and experience in financial and business matters as are necessary in order to evaluate the merits and risks of an investment in the Senior Notes;

b. The Initial Purchasers will be reoffering and reselling the Senior Notes only to persons whom they reasonably believe to be Qualified Institutional Buyers and to a limited number of persons whom they reasonably believe to be Institutional Accredited Investors that execute and deliver a letter containing certain representations and agreements in the form attached as Appendix A to the Offering Documents, in each case, in reliance on an exemption from the registration requirements of the Act;

c. No form of general solicitation or general advertising (as such terms are defined in Regulation D under the Act) has been or will be used by the Initial Purchasers or any of their representatives in connection with the offer and sale of any of the Senior Notes, including, but not limited to, articles, notices or other communications published in any newspaper, magazine or similar medium or broadcast over television or radio, or any seminar or meeting whose attendees have been invited by any general solicitation or general advertising;

d. In connection with the Exempt Resales, the Initial Purchasers will solicit offers to buy the Senior Notes only from, and will offer to sell the Senior Notes only to, the Eligible Purchasers. It is understood and agreed that persons who purchase the Senior Notes from the Initial Purchasers will be deemed to have represented and agreed to the matters set forth in the Offering Memorandum under "Notice to Investors;" and

e. The Initial Purchasers understand that the Issuers and, for purposes of the opinions to be delivered to the Initial Purchasers pursuant to Section 10 hereof, counsel to the Issuers and counsel to the Initial Purchasers will rely upon the accuracy and truth of the foregoing representations and the Initial Purchasers hereby consent to such reliance.

9. Indemnification.

a. The Issuers and the Guarantor jointly and severally, agree to indemnify and hold harmless (i) each of the Initial Purchasers, (ii) each person, if any, who controls (within the meaning of Section 15 of the Act or Section 20 of the Exchange Act) any of the Initial Purchasers (any of the persons referred to in this clause (ii) being hereinafter referred to as a "controlling person"), and (iii) the respective officers, directors, partners, employees, representatives and agents of any of the Initial Purchasers or any controlling person (any person referred to in clause (i), (ii) or (iii) may hereinafter be referred to as an "Indemnified Person") to the fullest extent lawful, from and against any and all losses, claims, damages, liabilities, judgments, actions and expenses (including without limitation and as incurred, reimbursement of all reasonable costs of investigating, preparing, pursuing or defending any claim or action, or any investigation or proceeding by any governmental agency or body, commenced or threatened, including the reasonable fees and expenses of counsel to any Indemnified Person) directly or indirectly caused by, related to, based upon, arising out of or in connection with any untrue statement or alleged untrue statement of a material fact contained in the Offering Documents (including any amendment or supplement thereto) or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, except (i) insofar as such losses, claims, damages, liabilities or expenses are caused by an untrue statement or omission or alleged untrue statement or omission that is made in reliance upon and in conformity with information relating to any of the Initial Purchasers furnished in writing to the Issuers or the Guarantor by any of the Initial Purchasers expressly for use in the Offering Documents (or any amendment or supplement thereto) and (ii) insofar as any such losses, claims, damages, liabilities or expenses are caused by an untrue statement or omission or alleged untrue statement or omission contained in any Preliminary Offering Memorandum, the foregoing indemnity shall not inure to the benefit of any Initial Purchaser which sold Series A Senior Notes to a person to whom there was not sent or given, at or prior to the written confirmation of such sale, a copy of the Offering Memorandum or of the Offering Memorandum as then amended or supplemented, whichever is most recent, if the Issuers or the Guarantor has previously furnished copies thereof to such Initial Purchaser, and if such Offering Memorandum or Offering Memorandum as amended or supplemented, as the case may be, completely corrected the untrue statement or alleged untrue statement or omission or alleged omission giving rise to such losses, claims, damages, liabilities or expenses. The Issuers and the Guarantor shall notify the Initial Purchasers promptly of the institution, threat or assertion of any claim, proceeding (including any governmental investigation) or litigation in connection with the matters addressed by this Agreement which involves the Issuers, the Guarantor or an Indemnified Person.

b. In case any action or proceeding (including any governmental investigation) shall be brought or asserted against any of the Indemnified Persons with respect to which indemnity may be sought against the Issuers or the Guarantor, such Initial Purchaser (or the Initial Purchaser controlled by such controlling person) shall promptly notify the Partnership in writing (provided, that the failure to give such notice shall not relieve the Issuers or the Guarantor of their obligations pursuant to this Agreement). Such Indemnified Person shall have the right to employ its own counsel in any such action and the reasonable fees and expenses of such counsel shall be paid, as incurred, by the Issuers

and the Guarantor (regardless of whether it is ultimately determined that an Indemnified Party is not entitled to indemnification hereunder). The Issuers and the Guarantor shall not, in connection with any one such action or proceeding or separate but substantially similar or related actions or proceedings in the same jurisdiction arising out of the same general allegations or circumstances, be liable for the reasonable fees and expenses of more than one separate firm of attorneys (in addition to any local counsel) at any time for such Indemnified Persons, which firm shall be designated by the Initial Purchasers. The Issuers and the Guarantor shall be liable for any settlement of any such action or proceeding effected with any Issuer's prior written consent, which consent will not be unreasonably withheld, and the Issuers and the Guarantor agree to indemnify and hold harmless any Indemnified Person from and against any loss, claim, damage, liability or expense by reason of any settlement of any action effected with the written consent of any Issuer. The Issuers and the Guarantor shall not, without the prior written consent of each Indemnified Person, settle or compromise or consent to the entry of judgment in or otherwise seek to terminate any pending or threatened action, claim, litigation or proceeding in respect of which indemnification or contribution may be sought hereunder (whether or not any Indemnified Person is a party thereto), unless such settlement, compromise, consent or termination includes an unconditional release of each Indemnified Person from all liability arising out of such action, claim, litigation or proceeding.

c. Each of the Initial Purchasers agrees, severally and not jointly, to indemnify and hold harmless the Issuers, the Guarantor, their directors, their officers, any person controlling (within the meaning of Section 15 of the Act or Section 20 of the Exchange Act) the Issuers, the Guarantor, and the officers, directors, partners, employees, representatives and agents of each such person, to the same extent as the foregoing indemnity from the Issuers and the Guarantor to each of the Indemnified Persons, but only with respect to claims and actions based on information relating to such Initial Purchaser furnished in writing by such Initial Purchaser expressly for use in the Offering Documents.

d. If the indemnification provided for in this Section 9 is unavailable to an indemnified party in respect of any losses, claims, damages, liabilities or expenses referred to herein, then each indemnifying party, in lieu of indemnifying such indemnified party, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages, liabilities and expenses (i) in such proportion as is appropriate to reflect the relative benefits received by the indemnifying party on the one hand and the indemnified party on the other hand from the offering of the Senior Notes or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the indemnifying parties and the indemnified party, as well as any other relevant equitable considerations. The relative benefits received by the Issuers and the Guarantor, on the one hand, and any of the Initial Purchasers, on the other hand, shall be deemed to be in the same proportion as the total proceeds from the offering (net of underwriting discounts and commissions but before deducting expenses) received by the Issuers and the Guarantor bear to the total underwriting discounts and commissions received by such Initial Purchaser, in each case as set forth in the table on the cover page of the Offering Memorandum. The relative fault of the Issuers and the Guarantor and the Initial Purchasers shall be determined by reference to, among other things whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact related to information supplied by the Issuers and the Guarantor or the Initial Purchasers and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The indemnity and contribution obligations of the Issuers and the Guarantor set forth herein shall be in addition to any liability or obligation the Issuers and the Guarantor may otherwise have to any Indemnified Person.

The Issuers, the Guarantor and the Initial Purchasers agree that it would not be just and equitable if contribution pursuant to this Section 9(d) were determined by pro rata allocation (even if the Initial Purchasers were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to in the immediately preceding paragraph. The amount paid or payable by an indemnified party as a result of the losses, claims, damages, liabilities or expenses referred to in the immediately preceding paragraph shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 9, none of the Initial Purchasers (and its related Indemnified Persons) shall be required to contribute, in the aggregate, any amount in excess of the amount by which the total underwriting discount applicable to the Senior Notes purchased by such Initial Purchaser exceeds the amount of any damages which such Initial Purchaser has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Initial Purchasers' obligations to contribute pursuant to this Section 9(d) are several in proportion to the respective principal amount of Senior Notes purchased by each of the Initial Purchasers hereunder and not joint.

10. Conditions of Initial Purchasers' Obligations. The obligations of the Initial Purchasers hereunder shall be subject, in their discretion, to the condition that all representations and warranties and other statements on the part of the Partnership, Finance Corp., the General Partner and the Guarantor herein are, at and as of the Closing Date, true and correct with the same force and effect as if made at and as of the Closing Date, the condition that each of the Partnership, Finance Corp., the General Partner and the Guarantor shall have performed all of its obligations and agreements hereunder theretofore to be performed, and the following additional conditions:

a. The Offering Documents shall have been printed and copies distributed to the Initial Purchasers not later than 9:00 a.m., New York City time, on April 24, 1996, or at such later date and time as the Initial Purchasers may approve in writing;

b. No stop order suspending the qualification or exemption from qualification of the Senior Notes for sale in any jurisdiction designated by the Initial Purchasers pursuant to Section 6(j) hereof shall have been issued and no proceeding for that purpose shall have been commenced or be pending, or, to the knowledge of the Partnership, Finance Corp., the General Partner and the Guarantor, be threatened;

c. No action shall have been taken and no statute, rule, regulation or order shall have been enacted, adopted or issued by any governmental agency which would, as of the Closing Date, prevent the issuance of any of the Senior Notes; and no injunction, restraining order of any nature by a federal or state court of competent jurisdiction shall have been issued as of the Closing Date which would prevent the issuance of the Senior Notes;

d. Bryan Cave LLP, counsel for the Partnership, Finance Corp., the General Partner and the Guarantor, shall have furnished to the Initial Purchasers their written opinion, dated the Closing Date, in form and substance satisfactory to you, substantially in the form set forth on Appendix A attached hereto;

e. The Initial Purchasers shall have received an opinion, dated the Closing Date, of Latham & Watkins, counsel for the Initial Purchasers, in form and substance reasonably satisfactory to the Initial Purchasers;

f. On the date of the Offering Memorandum prior to the execution of this Agreement and also on the Closing Date, Deloitte & Touche shall have furnished to the Initial Purchasers a letter or letters, dated the respective dates of delivery thereof, in form and substance satisfactory to the Initial Purchasers;

g. Since the date hereof or since the dates as of which information is given in the Offering Memorandum, there shall not have been, singly or in the aggregate, any change, or any development which may reasonably be expected to involve a change, in the properties, business, general affairs, management, condition (financial or otherwise), financial position, or prospects of the Partnership, Finance Corp., the General Partner, the Guarantor and the Subsidiaries taken as a whole, otherwise than as set forth or contemplated in the Offering Memorandum, (ii) since the date as of which information is given in the Offering Memorandum, there shall not have been any change in the capital stock or long-term debt, or increase in short-term debt, of the Partnership, Finance Corp., the General Partner, the Guarantor or any of the Subsidiaries, and (iii) each of the Partnership, Finance Corp., the General Partner, the Guarantor and the Subsidiaries shall not have incurred (A) since the date of the latest audited financial statements included in the Offering Memorandum, any material loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor dispute or court or governmental action, order or decree, otherwise than as set forth or contemplated in the Offering Memorandum or (B) any liability or obligation, direct or contingent, that is required to be disclosed on a balance sheet in accordance with generally accepted accounting principles and is not disclosed on the latest balance sheet included in the Offering Memorandum, the effect of which, in any such case described in clause (i), (ii) or (iii), is in the Initial Purchasers' judgment so material and adverse as to make it impracticable or inadvisable to proceed with the offering or the delivery of the Senior Notes being delivered at the Closing Date on the terms and in the manner contemplated in the Offering Memorandum;

h. There shall have been furnished to the Initial Purchasers on the Closing Date certificates reasonably satisfactory to the Initial Purchasers, signed on behalf of the General Partner and Finance Corp. by a President or Vice President thereof and on behalf of the Partnership and Operating Partnership by the General Partner by an authorized officer thereof to the effect that:

(i) In the case of the Partnership, the Operating Partnership and Finance Corp. (A) the representations and warranties of the Partnership, the Operating Partnership and Finance Corp. contained in this Agreement are true and correct at and as of the Closing Date as though made at and as of the Closing Date; (B) each of the Partnership, Operating Partnership and Finance Corp. has duly performed all obligations required to be performed by it pursuant to the terms of this Agreement at or prior to the Closing Date; (C) no stop order preventing or suspending the use of any of the Offering Documents, or any amendment or supplement thereto, or any order asserting that any of the transactions contemplated by this Agreement are subject to the registration requirements of the Act have been initiated or, to the knowledge of the Partnership, Operating Partnership or Finance Corp., threatened by the Commission or any other federal or state securities commission or regulatory authority; and (D) no event contemplated by subsection (g) of this Section 10 in respect of the Partnership, Operating Partnership or Finance Corp. shall have occurred;

(ii) In the case of the General Partner (A) the representations and warranties of the General Partner contained in this Agreement are true and correct at and as of the Closing Date as though made at and as of the Closing Date; (B) the General Partner has duly performed all obligations required to be performed by it pursuant to the terms of this Agreement at or prior to the Closing Date; and (C) no event contemplated by subsection (g) of this Section 10 in respect of the General Partner shall have occurred;

i. The Senior Notes shall have been designated for trading in PORTAL;

j. Andrews & Kurth L.L.P. shall have delivered an executed opinion addressed to the Issuers and the Initial Purchasers, in form and substance satisfactory to the Initial Purchasers, regarding the classification of the Partnership and the Operating Partnership under current applicable law as a partnership for federal income tax purposes.

k. The Issuers and the Guarantor shall have entered into the Indenture and the Initial Purchasers shall have received executed counterparts thereof;

l. The Issuers and the Guarantor shall have entered into the Registration Rights Agreement and the Initial Purchasers shall have received executed counterparts thereof;

m. The Partnership and the General Partner shall have entered into the Pledge Agreement and
the Initial Purchasers shall have received executed counterparts thereof; and

n. The Partnership and the General Partner shall have prepared the Financing Statements on the appropriate forms (copies of which shall have been provided to the Initial Purchasers and their counsel) and shall have filed the Financing Statements with the Filing Offices along with the payment of all related filing fees. Oral confirmation of such filings and payments shall be provided to the Initial Purchasers and their counsel.

11. Defaults. If at the Closing Date, any of the Initial Purchasers shall fail or refuse to purchase Series A Senior Notes which it has agreed to purchase hereunder on such date, and the aggregate principal amount of such Series A Senior Notes that such defaulting Initial Purchaser agreed but failed or refused to purchase does not exceed 10% of the total principal amount of such Series A Senior Notes that all of the Initial Purchasers are obligated to purchase at such Closing Date, each non-defaulting Initial Purchaser shall be obligated to purchase the amount of the Series A Senior Notes that such defaulting Initial Purchaser agreed but failed or refused to purchase on such date. If, at the Closing Date, any of the Initial Purchasers shall fail or refuse to purchase Series A Senior Notes in an aggregate principal amount that exceeds 10% of such total principal amount of the Series A Senior Notes and arrangements satisfactory to the other Initial Purchaser and the Issuers for the purchase of such Series A Senior Notes are not made within 48 hours after such default, this Agreement shall terminate without liability on the part of the non-defaulting Initial Purchaser or the Issuers, except as otherwise provided in this Section 11. In any such case that does not result in termination of this Agreement, the Initial Purchasers or the Issuers may postpone the Closing Date for not longer than seven days, in order that the required changes, if any, in the Offering Memorandum or any other documents or arrangements may be effected. Any action taken under this paragraph shall not relieve a defaulting Initial Purchaser from liability in respect of any default by any such Initial Purchaser under this Agreement.

12. Effective Date of Agreement and Termination.

a. This Agreement shall become effective upon the execution of this Agreement by the parties hereto;

b. This Agreement may be terminated at any time on or prior to the Closing Date by the Initial Purchasers by notice to the Partnership if any of the following has occurred: (i) subsequent to the date of the Offering Memorandum or the date of this Agreement, singly or in the aggregate, any material adverse change, or any development which may be expected to involve a material adverse change, in the properties, business, general affairs, management, condition (financial or otherwise), financial position or prospects of the Partnership, Finance Corp., the General Partner, the Guarantor and the Subsidiaries taken as a whole, which in the Initial Purchasers' judgment materially impairs the investment quality of the Senior Notes; (ii) any suspension or limitation of trading generally in securities on the New York Stock Exchange or in the over-the-counter markets or any setting of minimum prices for trading on such exchange or markets; (iii) any suspension or material limitation in trading of the securities of the Partnership, Finance Corp., the General Partner, the Guarantor or any of the Subsidiaries on the New York Stock Exchange or in the over-the-counter markets; (iv) a general moratorium on commercial banking activities in New York declared by either Federal or New York State authorities; (v) any outbreak or escalation of hostilities involving the United States, the declaration by the United States of a national emergency or war, or any other national or international calamity or crisis or material adverse change in the financial markets of the United States or elsewhere, or any other substantial national or international calamity or emergency if the effect of any such event in the Initial Purchasers' judgment makes it impracticable or inadvisable to proceed with the offering or the delivery of the Senior Notes being delivered at the Closing Date on the terms and in the manner contemplated by the Offering Memorandum; (vi) the taking of any action by any federal, state or local government or agency in respect of its monetary or fiscal affairs that in the Initial Purchasers' judgment has a material adverse effect on the financial markets in the United States and would, in the Initial Purchasers' judgment, make it impracticable or inadvisable to proceed with the offering or the delivery of the Senior Notes being delivered at the Closing Date on the terms and in the manner contemplated by the Offering Memorandum; (vii) the enactment, publication, decree, or other promulgation of any federal or state statute, regulation, rule or order of any court or other governmental authority which, in the Initial Purchasers' judgment, materially and adversely affect the business or operations of the Partnership, Finance Corp., the General Partner, the Guarantor or any Subsidiary; or (viii) any downgrading in the rating accorded the securities of the Partnership, Finance Corp., the General Partner, the Guarantor or any Subsidiary by any "nationally recognized statistical rating organization," as that term is defined by the Commission for purposes of Rule 436(g)-(2) under the Act, or any such organization shall have publicly announced that it has under surveillance or review, with possible negative implications, its rating of any of such securities;

c. The indemnities and contribution provisions and other agreements, representations and warranties of the Partnership, Finance Corp., the Guarantor or their officers and directors and of the Initial Purchasers set forth in or made pursuant to this Agreement shall remain operative and in full force and effect, and will survive delivery of and payment for the Senior Notes, regardless of (i) any investigation, or statement as to the results thereof, made by or on behalf of any of the Initial Purchasers or by or on behalf of the Issuers, the Guarantor or the officers or directors of any Issuer or Guarantor or any controlling person of any Issuer or Guarantor, (ii) acceptance of the Senior Notes and payment for them hereunder and (iii) termination of this Agreement;

d. If this Agreement shall be terminated by the Initial Purchasers pursuant to clauses (i) or (viii) of paragraph (b) of this Section 12 or because of the failure or refusal on the part of the Issuers or the Guarantor to comply with the terms or to fulfill any of the conditions of this Agreement, the Issuers and the Guarantor agree, jointly and severally, to reimburse the Initial Purchasers for all out-of-pocket expenses (including the fees and disbursements of counsel) incurred by the Initial Purchasers. Notwithstanding any termination of this Agreement, the Issuers and the Guarantor shall be liable, jointly and severally, for all expenses which it has agreed to pay pursuant to Section 6(o) hereof; and

e. Except as otherwise provided, this Agreement has been and is made solely for the benefit of and shall be binding upon the Issuers, the Guarantor, the Initial Purchasers, any Indemnified Person referred to herein and their respective successors and assigns, all as and to the extent provided in this Agreement, and no other person shall acquire or have any right under or by virtue of this Agreement. The terms "successors and assigns" shall not include a purchaser of any of the Senior Notes from any of the Initial Purchasers merely because of such purchase.

13. Notices. Notices given pursuant to any provision of this Agreement shall be addressed as follows: (a) if to the Partnership, Operating Partnership or Finance Corp., to Ferrellgas, L.P., One Liberty Plaza, Liberty, MO 64068, Attention: Danley K. Sheldon, with a copy to Bryan Cave, LLP, One Kansas City Place, 1200 Main Street, Kansas City, MO 64105, Attention: Kendrick T. Wallace, Esq., and (b) if to any Initial Purchaser, to it c/o Donaldson, Lufkin & Jenrette Securities Corporation, 277 Park Avenue, New York, New York 10172, Attention: Syndicate Department, with a copy to Latham & Watkins, 885 Third Avenue, New York, New York 10022, Attention: Philip E. Coviello, Esq., or in any case to such other address as the person to be notified may have requested in writing.

14. Governing Law.THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF NEW YORK AS APPLIED TO CONTRACTS MADE AND PERFORMED ENTIRELY WITHIN THE STATE OF NEW YORK.

15. Successors. This Agreement will inure to the benefit of and be binding upon the parties hereto and their respective successors and the officers and directors and other persons referred to in Section 9, and no other person will have any right or obligation hereunder.

This Agreement may be signed in various counterparts which together shall constitute one and the same instrument. Please confirm that the foregoing correctly sets forth the agreement among the Issuers, the Guarantor and the Initial Purchasers.

Very truly yours,

FERRELLGAS PARTNERS, L.P.

By: FERRELLGAS, INC., as General Partner

By:
Name: Danley K. Sheldon
Title: Senior Vice President

FERRELLGAS PARTNERS FINANCE CORP.

By:
Name: Danley K. Sheldon
Title: Senior Vice President

FERRELLGAS, INC.

By:
Name: Danley K. Sheldon
Title: Senior Vice President

FERRELLGAS, L.P.

By: FERRELLGAS, INC., as General Partner

By:
Name: Danley K. Sheldon
Title: Senior Vice President

The foregoing Purchase Agreement is hereby confirmed and accepted as of the date first above written.

DONALDSON, LUFKIN & JENRETTE
SECURITIES CORPORATION

By:
Name:
Title:

GOLDMAN, SACHS & CO.

By:

(Goldman, Sachs & Co.)

SCHEDULE A

	Principal Amount Senior Notes
Donaldson, Lufkin & Jenrette Securities Corporation	$112,000,000
Goldman, Sachs & Co.	$48,000,000
Total:	$160,000,000

SCHEDULE B

Alabama
Arizona
Arkansas
California
Colorado
Connecticut
District of Columbia
Florida
Georgia
Idaho
Illinois
Indiana
Iowa
Kansas
Kentucky
Louisiana
Maine
Maryland
Massachusetts
Michigan
Minnesota
Mississippi
Montana
Nebraska
Nevada

New Hampshire
New Jersey
New Mexico
North Carolina
North Dakota
Ohio
Oklahoma
Oregon
Pennsylvania
Rhode Island
South Carolina
South Dakota
Tennessee
Texas
Utah
Vermont
Virginia
Washington
West Virginia
Wisconsin
Wyoming

APPENDIX A

EXECUTION COPY

PLEDGE AND SECURITY AGREEMENT

THIS PLEDGE AND SECURITY AGREEMENT is made and entered into as of this 26th day of April, 1996 (this "Agreement"), by FERRELLGAS PARTNERS, L.P., a Delaware limited partnership (the "Pledgor"), having its principal office at One Liberty Plaza, Liberty, Missouri 64068 and FERRELLGAS, INC., a Delaware corporation and sole general partner of the Pledgor ("Ferrellgas"), having its principal office at One Liberty Plaza, Liberty, Missouri 64068, in favor of AMERICAN BANK NATIONAL ASSOCIATION as collateral agent having an office at 101 East Fifth Street, St. Paul, Minnesota 55101-1860 (the "Collateral Agent"), for the ratable benefit of the holders (the "Holders") of the 93/8% Senior Secured Notes due 2006 of the Pledgor and Ferrellgas Partners Finance Corp., a Delaware corporation ("Finance Corp." and, together with the Pledgor, the "Issuers").

W I T N E S S E T H:

WHEREAS, the Pledgor is the legal and beneficial owner of 98.9899% of the outstanding limited partner interests (the "Pledged Interest") in Ferrellgas, L.P. (the "Operating Partnership"), a Delaware limited partnership, pursuant to that certain Agreement of Limited Partnership of Ferrellgas, L.P., dated July 5, 1994 (the "Partnership Agreement");

WHEREAS, Ferrellgas is the sole general partner of the Pledgor and the Operating Partnership and is the legal and beneficial owner of 1.0101% of the outstanding general partner interests (the "General Partner Interest") in the Operating Partnership pursuant to the Partnership Agreement;

WHEREAS, the Pledgor, Finance Corp., the Operating Partnership and American Bank National Association, as trustee, have entered into that certain indenture dated as of April 26, 1996 (as amended, amended and restated, supplemented or otherwise modified from time to time, the "Indenture"), pursuant to which the Issuers issued $160 million in aggregate principal amount of 93/8% Senior Secured Notes due 2006 (together with any notes or debentures issued in replacement thereof or in exchange or substitution therefor, the "Senior Notes"); and

WHEREAS, the terms of the Indenture require that the Pledgor pledge to the Collateral Agent for the ratable benefit of the Holders, and grant to the Collateral Agent for the ratable benefit of the Holders a security interest in, the Pledged Collateral (as defined below) and execute and deliver this Agreement in order to secure the payment and performance by the Issuers of all of their Obligations under the Indenture and the Senior Notes (the "Obligations").

AGREEMENT

NOW THEREFORE, in consideration of the above recitals, and in order to induce the Holders to purchase the Senior Notes, each of the Pledgor and Ferrellgas hereby agrees with the Collateral Agent for its benefit and the ratable benefit of the Holders as follows:

SECTION 1. Pledge. The Pledgor hereby pledges to the Collateral Agent for its benefit and for the ratable benefit of the Holders, and grants to the Collateral Agent for the ratable benefit of the Holders, a continuing first priority security interest in all of its right, title and interest in the following (the "Pledged Collateral"):

(a) the Pledged Interest and any certificates that represent the Pledged Interest (including any rights the Pledgor may now have or may have in the future to manage, invest, dispose of, liquidate, lease or otherwise control the Operating Partnership's assets) and, subject to Section 8.20 hereof, all products and proceeds of any of the Pledged Interest, including, without limitation, all dividends, distributions, cash, options, warrants, rights, instruments, subscriptions and other property or proceeds from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the Pledged Interest or any of the foregoing; and

(b) all additional equity interests and ownership interests in (whether or not represented by a certificated security or other investment), and all securities convertible into and all warrants, options or other rights to purchase equity interests or other ownership interests in, the Operating Partnership from time to time issued by the Operating Partnership in any manner, and any certificates that represent such additional equity interest or ownership interest (any such additional equity interest, ownership interest and other items shall constitute part of the Pledged Interest under and as defined in this Agreement), and all products and proceeds of any of the foregoing, including, without limitation, all dividends, distributions, cash, options, warrants, rights, instruments, subscriptions, and other property or proceeds from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the foregoing.

SECTION 2. Security for Obligations. This Agreement secures the prompt and complete payment and performance when due (whether at stated maturity, by acceleration, by repurchase or otherwise) of all Obligations of the Issuers under the Indenture and the Senior Notes (including, without limitation, the principal of and premium, if any, including Liquidated Damages (as defined in the Indenture), if any, on the Senior Notes and any other Obligations accruing after the date of any filing by the Pledgor of any petition in bankruptcy or the commencement of any bankruptcy, insolvency or similar proceeding with respect to the Pledgor).

SECTION 3. Representations and Warranties. The Pledgor hereby makes all representations and warranties applicable to the Pledgor contained in the Indenture. The Pledgor and Ferrellgas further represent and warrant that:

(a) The execution, delivery and performance by the Pledgor and Ferrellgas of this Agreement are within the Pledgor's and Ferrellgas' powers, have been duly authorized by all necessary partnership and corporate action, and do not contravene, or constitute a default under, the charter documents or by-laws of Ferrellgas, any provision of applicable law, regulation, the Partnership Agreement, the Agreement of Limited Partnership of Ferrellgas Partners, L.P., dated July 5, 1994 (the "MLP Partnership Agreement"), or any agreement, judgment, injunction, order, decree or other instrument binding upon the Pledgor, Ferrellgas or the Operating Partnership, or result in the creation or imposition of any Lien (as defined in the Indenture) on any assets of the Pledgor or the Operating Partnership, other than the Lien contemplated hereby.

(b) A true and correct copy of the Partnership Agreement (including all amendments to date) is attached hereto as Exhibit A. A true and correct copy of the MLP Partnership Agreement (including all amendments to date) is attached hereto as Exhibit B. Pledgor hereby acknowledges, represents and warrants that the Partnership Agreement and the MLP Partnership Agreement accurately state the terms of the respective partnerships, that, except as set forth in Exhibits A and B, the Partnership Agreement and the Operating Partnership Agreement have not been amended and are in full force and effect.

(c) The Pledged Interest has been duly authorized and validly issued and is fully paid and non-assessable (except as such non-assessability may be affected by the Partnership Agreement).

(d) The Pledged Interest constitutes all of the authorized, issued and outstanding limited partner interests of the Operating Partnership and all of the authorized, issued and outstanding equity interest of the Operating Partnership (other than the General Partner Interest), and constitutes all of the equity interest (including all warrants, options and other rights to acquire partnership interests) of the Operating Partnership beneficially owned by the Pledgor.

(e) There are no instruments, certificates, securities or other writings or chattel paper evidencing or representing any equity interest in the Operating Partnership.

(f) The Pledgor is the legal, record and beneficial owner of the Pledged Collateral, free and clear of any Lien or claims of any Person (as defined in the Indenture) except for the security interest created by this Agreement.

(g) Each of the Pledgor and Ferrellgas has full power and authority to enter into this Agreement, and the Pledgor has the right to vote, pledge and grant a security interest in the Pledged Collateral as provided by this Agreement.

(h) The exercise by the Collateral Agent of any of its rights and remedies hereunder will not cause, or be deemed to cause, a dissolution of the Pledgor, Ferrellgas or the Operating Partnership.

(i) This Agreement has been duly executed and delivered by the Pledgor and Ferrellgas and constitutes a legal, valid and binding obligation each of the Pledgor and Ferrellgas, enforceable against the Pledgor and Ferrellgas in accordance with its terms except as the same may be limited by bankruptcy, insolvency or similar laws affecting creditor rights generally and by general principles of equity.

(j) On the date hereof, the Collateral Agent's security interest in the Pledged Interest has been duly registered by and with the Operating Partnership pursuant to the provisions of Article 8 of the Uniform Commercial Code as in effect in the State of Delaware on the date hereof and on or prior to the date hereof, appropriate Uniform Commercial Code financing statements naming the Collateral Agent as secured party and the Pledgor as debtor with respect to the Pledged Collateral have been duly filed with the Secretary of State - Division of Corporations of the State of Delaware, the Secretary of State of the State of Missouri and the Recorder of Deeds of Clay County, Missouri. The pledge of the Pledged Collateral pursuant to this Agreement creates a valid and perfected first priority security interest in the Pledged Collateral in favor of the Collateral Agent securing the payment of the Obligations, enforceable as such against all creditors of the Pledgor and any persons purporting to purchase any of the Pledged Collateral from the Pledgor.

(k) No consent of any other Person and no consent, authorization, approval, or other action by, and no notice to or filing with, any governmental authority or regulatory body is required either (i) for the pledge by the Pledgor of the Pledged Collateral pursuant to this Agreement or for the execution, delivery or performance of this Agreement by the Pledgor or (ii) for the exercise by the Collateral Agent of the voting or other rights provided for in this Agreement or the remedies in respect of the Pledged Collateral pursuant to this Agreement (except as may be required in connection with a disposition of such Pledged Collateral by laws affecting the offering and sale of securities).

(l) No actions, suits or proceedings of a material nature are pending, or to the knowledge of the Pledgor or Ferrellgas threatened, against or affecting the Pledgor, the Operating Partnership or Ferrellgas that, if adversely determined, would materially and adversely affect the financial condition of the Pledgor, the Operating Partnership or Ferrellgas and their Subsidiaries (as defined in the

Indenture) taken as a whole or involving the validity or enforceability of this Agreement or the priority of the lien and security interest created hereby, and no event has occurred (including specifically the Issuers' and Operating Partnership's execution of the Indenture) which will result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever on the Pledged Collateral other than the liens and security interests created by or otherwise permitted by this Agreement.

(m) The pledge of the Pledged Collateral pursuant to this Agreement is not prohibited by any applicable law or governmental regulation, release, interpretation or opinion of the Board of Governors of the Federal Reserve System or other regulatory agency (including, without limitation, Regulations G, T, U and X of the Board of Governors of the Federal Reserve System).

(n) All information set forth herein relating to the Pledged Collateral is accurate and complete in all material respects.

SECTION 4. Covenants of the Pledgor. The Pledgor covenants that:

(a) The Pledgor will defend the Pledged Collateral against all claims and demands, immediately upon becoming aware of such claims and demands, of all persons at any time claiming the same or any interest therein except as expressly provided or allowed herein.

(b) The Pledgor will, promptly upon request by the Collateral Agent, procure or execute and deliver any document, give any notices, execute and file any financing statements, mortgages or other documents, all in form and substance reasonably satisfactory to the Collateral Agent, mark any chattel paper, deliver any chattel paper or instruments to the Collateral Agent and take any other actions which are necessary or, in the reasonable judgment of the Collateral Agent, desirable to perfect or continue the perfection and first priority of the Collateral Agent's security interest in the Pledged Collateral, to protect the Pledged Collateral against the rights, claims, or interests of third persons or to effect the purposes of this Agreement, and will pay all reasonable costs incurred in connection therewith.

(c) The Pledgor shall not sell, transfer, assign, pledge, exchange or otherwise dispose of the Pledged Collateral other than pursuant to this Agreement and the Indenture, including, without limitation, Section 8.22 hereof. If the Pledgor sells, transfers, assigns, exchanges or otherwise disposes of the Pledged Collateral and the proceeds of any such sale are notes, instruments or chattel paper, such proceeds shall be promptly delivered to the Collateral Agent to be held as Pledged Collateral hereunder. If the Pledged Collateral, or any part thereof, is sold, transferred, assigned, pledged, exchanged, or otherwise disposed of in violation of these provisions, the security interest of the Collateral Agent shall continue in such Pledged Collateral or part thereof notwithstanding such sale,

transfer, assignment, pledge, exchange or other disposition, and the Pledgor will hold the proceeds thereof in a separate account for the benefit of the Collateral Agent and the Holders and the Pledgor will, at the Collateral Agent's request, transfer such proceeds to the Collateral Agent in kind.

(d) The Pledgor will not, and will not permit the Operating Partnership to, enter into, modify or amend any existing or future contracts or agreements relating to the sale or disposition of the Pledged Collateral or any part thereof without the prior written consent of the Collateral Agent. Upon request of the Collateral Agent, the Pledgor will provide the Collateral Agent with copies of all such existing and hereafter created contracts and agreements and of all amendments and modifications thereto.

(e) The Pledgor will pay and discharge, or cause to be paid and discharged, all taxes, assessments and governmental charges or levies against the Pledged Collateral prior to delinquency thereof and will keep the Pledged Collateral free of all unpaid charges whatsoever, provided, however, that the Pledgor may withhold payment of any taxes, assessments and governmental charges or levies which (i) the Pledgor in good faith disputes, is at its own expense currently and diligently contesting, is permitted under applicable law to contest without payment, and (ii) do not aggregate more than $100,000 unless the Pledgor delivers to the Collateral Agent a surety bond sufficient for release of such taxes, assessments and governmental charges or levies or other reasonable security therefor within 30 days of the filing thereof.

(f) The Pledgor will comply with all laws, statutes and regulations pertaining to the ownership of the Pledged Collateral where the absence of such compliance would have an adverse effect on the Pledged Collateral or on the interests of the Collateral Agent or the Holders of the Senior Notes. In the event that the absence of such compliance would not result in such an adverse effect on the Pledged Collateral or on the Collateral Agent or the Holders of the Senior Notes, the Pledgor shall be required to comply with such laws, statutes and regulations within two days after receiving notice that it is not in compliance with such laws, statutes and regulations.

(g) The Pledgor will, within five days of the Collateral Agent's reasonable request, deliver to the Collateral Agent records and schedules which show the status and condition of the Pledged Collateral, will promptly notify the Collateral Agent in writing of any event, or change of law, regulation, business practice, or business condition which materially adversely affects the value of the Pledged Collateral, and, in accordance with the provisions of the Indenture, will provide the Collateral Agent with current financial information concerning the Operating Partnership's business on a fiscal year-end basis, with detail reasonably satisfactory to the Collateral Agent and which shall be certified by the Operating Partnership and prepared in accordance with accounting principles consistently

applied and consistent with such statements previously supplied to the Collateral Agent (unless any change in such principles has been approved by the Collateral Agent which approval shall not be unreasonably withheld or delayed). The Collateral Agent shall have the reasonable right to review and verify such records, schedules, notices and financial information.

(h) The Pledgor waives any claim that the release, substitution or addition of collateral, endorsers or guarantors affects the liability of the Pledgor hereunder.

(i) Upon the occurrence of a Default (as defined by Section 6 hereof), the Pledgor shall notify Ferrellgas and the Operating Partnership that the Collateral Agent has all of the rights, and is entitled to all of the benefits, of the Pledgor as sole limited partner of the Operating Partnership under the Partnership Agreement, and has the right to receive any and all payments, whether as a limited partner or a creditor, from the Operating Partnership to the Pledgor as a limited partner or creditor of the Operating Partnership.

(j) The Pledgor (i) shall not agree to any amendment or modification of the Partnership Agreement or the MLP Partnership Agreement that would adversely affect the Pledged Collateral or the rights of the Collateral Agent hereunder and the Holders of the Senior Notes and (ii) shall not, other than as permitted by Sections 4.10 and 12.03 of the Indenture, permit the liquidation, winding up, or termination of the Pledgor or the Operating Partnership without the prior written consent of the Collateral Agent.

(k) At any time after the occurrence and during the pendency of a Default (as defined by Section 6 hereof), the Collateral Agent shall have the right to make any payments and do any other acts the Collateral Agent may deem necessary to protect its security interest in the Pledged Collateral, including, without limitation, the rights to pay, purchase, contest or compromise any encumbrance, charge or lien which in the judgment of the Collateral Agent appears to be prior to or superior to the security interest granted hereunder, and appear in and defend any action or proceeding purporting to affect its security interest in and/or the value of the Pledged Collateral, and in exercising any such powers or authority, the right to pay all expenses incurred in connection therewith, including attorneys' fees. The Pledgor hereby agrees together with Ferrellgas, jointly and severally, to reimburse the Collateral Agent for all payments made and expenses incurred, which amounts shall be secured under this Agreement, and agrees it shall be bound by any payment made or act taken by the Collateral Agent hereunder. The Collateral Agent shall have no obligation to make any of the foregoing payments or perform any of the foregoing acts.

(l) The Pledgor shall not take any action, or permit the taking of any action by the Operating Partnership, with respect to the Pledged Collateral the

taking of which would result in a material impairment of the economic value of the Pledged Collateral as collateral or a violation of the Indenture or this Agreement, including, without limitation, the issuance by the Operating Partnership of any additional equity interests to Persons other than the Pledgor (other than the issuance of additional equity interests to Ferrellgas or its parent in connection with a Flow- Through Acquisition (as defined in the Indenture), provided that such equity interests are immediately transferred to the Pledgor).

(m) If any exists in the future, the Pledgor will immediately deliver to the Collateral Agent any certificates, notes or other evidence of the Pledged Collateral, in suitable form for transfer by delivery or accompanied by duly executed instruments of transfer or assignment in blank, all in form and substance satisfactory to the Collateral Agent.

SECTION 5. Covenants of Ferrellgas. Ferrellgas covenants that:

(a) Ferrellgas shall not exercise or shall refrain from exercising any and all voting and consensual rights pertaining to, and its powers as general partner of, the Operating Partnership if such action would have a material adverse effect on the value of the Pledged Collateral or any part thereof or be inconsistent with or violate any provisions of this Agreement or the Indenture.

(b) Ferrellgas (i) shall not agree to any amendment or modification of the MLP Partnership Agreement or the Partnership Agreement that would adversely affect the Pledged Collateral or the rights of the Collateral Agent hereunder or the Holders of the Senior Notes and (ii) shall not, other than as permitted by Sections 4.10 and 12.03 of the Indenture, permit the liquidation, winding up, or termination of the Pledgor or the Operating Partnership without the prior written consent of the Collateral Agent.

(c) The Collateral Agent shall have at all reasonable times, with reasonable notice, the right to enter into and upon any premises of the Pledgor and the Operating Partnership for the purpose of inspecting the same, making copies of records, or otherwise protecting its security interest in the Pledged Collateral.

(d) Ferrellgas shall not permit the Operating Partnership to make any dividends, distributions, loans, or transfer of any kind in complete or partial liquidation of the Operating Partnership without the express written consent of the Collateral Agent, other than as permitted by Sections 4.10 and 12.03 of the Indenture.

(e) Ferrellgas hereby agrees together with the Pledgor, jointly and severally, to reimburse the Collateral Agent for all payments made and expenses incurred by the Collateral Agent under Section 4(k) hereunder which amounts shall

be secured under this Agreement, and agrees it shall be bound by any payment made or act taken by the Collateral Agent hereunder.

(f) Ferrellgas shall not take any action, or permit the taking of any action by the Operating Partnership, with respect to the Pledged Collateral the taking of which would result in a material impairment of the economic value of the Pledged Collateral as collateral or a violation of the Indenture or this Agreement, including, without limitation, the issuance by the Operating Partnership of any additional equity interests to Persons other than the Pledgor (other than the issuance of additional equity interests to Ferrellgas or its parent in connection with a Flow- Through Acquisition (as defined in the Indenture), provided that such equity interests are immediately transferred to the Pledgor).

(g) Ferrellgas shall cause the Operating Partnership to take any other actions which are necessary or, in the reasonable judgment of the Collateral Agent, desirable to perfect or continue the perfection and first priority of the Collateral Agent's security interest in the Pledged Collateral, to protect the Pledged Collateral against the rights, claims, or interests of third persons or to effect the purposes of this Agreement.

SECTION 6. Defaults. The occurrence of any one or more of the following events or conditions shall constitute a default ("Default") under this Agreement:

(a) An Event of Default (as defined in the Indenture) shall occur under the Senior Notes or the Indenture.

(b) Other than those created or permitted by this Agreement, any Lien or other encumbrance is placed on or any levy is made on the Pledged Collateral or any portion thereof, or the Pledged Collateral or any portion thereof is seized or attached pursuant to legal process, unless such Lien, encumbrance, levy, seizure or attachment is removed or released within thirty (30) days from the time such lien or encumbrance was placed thereon or such levy, seizure or attachment was effected, but in any event not later than five (5) days prior to any date for sale of such property.

SECTION 7. Remedies. If a Default hereunder shall have occurred and be continuing, the Collateral Agent may, at its option, without notice to or demand upon the Pledgor or Ferrellgas, but subject to this Section 7, do any one or more of the following.

(a) Declare the Obligations and all other indebtedness (pursuant to this Agreement or the Indenture) of the Issuers to the Collateral Agent to be immediately due and payable, whereupon all unpaid principal, premium, if any, and interest including liquidated damages, if any, on said advances and other indebtedness shall become and be immediately due and payable;

(b) Exercise any or all of the rights and remedies provided for by the applicable Uniform Commercial Code, specifically including, without limitation, the right to recover the reasonable attorneys' fees and other expenses incurred by the Collateral Agent in the enforcement of this Agreement or in connection with the Pledgor's redemption of the Pledged Collateral;

(c) Notify the Pledgor, the Operating Partnership and Ferrellgas that the Collateral Agent has the right to receive any payments from the Operating Partnership to the Pledgor, as limited partner or creditor of the Operating Partnership;

(d) Transfer any Pledged Collateral into the name of its nominee;

(e) Retain the Pledged Collateral in satisfaction of the obligations secured hereby, with notice of such retention sent to the Pledgor as required by law;

(f) Exercise all the rights and receive all the benefits of the Pledgor as sole Limited Partner (as defined by the Partnership Agreement) of the Operating Partnership under the Partnership Agreement.

(g) Enforce one or more remedies hereunder, successively or concurrently, and such action shall not operate to estop or prevent the Collateral Agent from pursuing any other or further remedy which it may have, and any repossession or retaking or sale of the Pledged Collateral pursuant to the terms hereof shall not operate to release the Pledgor until full and final payment of any deficiency has been made in cash. The Pledgor shall reimburse the Collateral Agent upon demand for, or the Collateral Agent may apply any proceeds of Pledged Collateral to, the costs and expenses (including attorneys' fees, transfer taxes and any other charges) incurred by the Collateral Agent in connection with any sale, disposition or retention of any Pledged Collateral hereunder;

(h) The Collateral Agent shall not be required to marshal the Pledged Collateral or any other security for the obligations secured hereby or to resort to the Pledged Collateral or any other security for the obligations secured hereby in any particular order and all of the Collateral Agent's rights under the various instruments relating to the Pledged Collateral shall be cumulative. The Pledgor, to the maximum extent permitted by law, hereby waives every defense (now, theretofore or hereafter arising) of estoppel, laches, extension or moratorium applicable to any obligations or liabilities covered by this Agreement or of the Pledgor under this Agreement. The Pledgor expressly waives extension of the obligations of this Agreement arising by any reason whatsoever, including without limitation, by reason of the institution of proceedings by or against Ferrellgas, the Pledgor or the Operating Partnership under or pursuant to the Federal Bankruptcy Code, or any amendment thereto, or any similar state or federal laws relating to

the relief of debtors. The Collateral Agent may sell the Pledged Collateral, or any part thereof, at any public or private sale or at any broker's board or on any securities exchange, for cash, upon credit or for future delivery, as the Collateral Agent shall deem appropriate. The Collateral Agent shall be authorized at any such sale, if it deems it advisable to do so, to restrict the prospective bidders or purchasers to persons who will provide assurances satisfactory to the Collateral Agent that they may be offered and sold the Pledged Collateral without registration under the Securities Act of 1933, as amended, or any statute then in effect corresponding to the Securities Act of 1933, as amended (the "Securities Act") or any other applicable state or federal statute, and upon the consummation of any such sale, the Collateral Agent shall have the right to assign, transfer and deliver to purchaser or purchasers thereof the Pledged Collateral so sold. The Collateral Agent may solicit offers to buy the Pledged Collateral, or any part of it, from a limited number of investors deemed by the Collateral Agent, in its reasonable judgment, to meet the requirements to purchase securities under Regulation D promulgated under the Securities Act as then in effect (or any other regulation of similar import). If the Collateral Agent solicits such offers from such investors, then the acceptance by the Collateral Agent of the highest offer obtained therefrom shall be deemed to be a commercially reasonably method of disposition of the Pledged Collateral. If the Collateral Agent at such sale shall deem it advisable, in its reasonable judgment, to have the Pledged Collateral, or that portion thereof to be sold, registered under the provisions of the Securities Act, the Pledgor and Ferrellgas will cause the Operating Partnership to (i) execute and deliver, and cause the directors and officers of Ferrellgas, as general partner of the Operating Partnership, to execute and deliver, all at the Operating Partnership's expense, all such instruments and documents, and to do or cause to be done all such other acts and things as may be necessary or, in the opinion of the Collateral Agent, advisable, to register such Pledged Collateral under the provisions of the Securities Act, (ii) cause the registration statement relating thereto to become effective and remain effective for a period of 180 days from the date of the first public offering of such Pledged Collateral, or that portion thereof to be sold and (iii) make all amendments thereto and/or to the related prospectus that, in the opinion of the Collateral Agent, are necessary or advisable, all in conformity with the requirements of the Securities Act and the rules and regulations of the Securities and Exchange Commission applicable thereto. Each of the Pledgor and Ferrellgas agree to cause the Operating Partnership to comply with the provisions of the securities or "Blue Sky" laws of any jurisdiction that the Collateral Agent shall designate for the sale of the Pledged Collateral and to make available to the Operating Partnership's security holders, as soon as practicable, an earnings statement (which need not be audited) that will satisfy the provisions of Section 11(a) of the Securities Act. Each of the Pledgor and Ferrellgas will cause the Operating Partnership to furnish to the Collateral Agent such number of copies as the Collateral Agent may reasonably request of each preliminary and final prospectus, to notify the Collateral Agent promptly of the happening of any event as a result of which any then effective prospectus includes an untrue statement of

a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of then existing circumstances, and to cause the Collateral Agent to be furnished with such number of copies as the Collateral Agent may request of such supplement to or amendment of such prospectus. The Pledgor and Ferrellgas will cause the Operating Partnership, to the extent permitted by law, to indemnify, defend and hold harmless the Collateral Agent and the Holders from and against all losses, liabilities, expenses or claims (including reasonable legal expenses and the reasonable costs of investigation) that the Collateral Agent or the Holders may incur under the Securities Act or otherwise, insofar as such losses, liabilities expenses or claims arise out of or are based upon any alleged untrue statement of a material fact contained in such registration statement (or any amendment thereto) or in any preliminary or final prospectus (or any amendment or supplement thereto), or arise out of or are based upon any alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, except to the extent that any such losses, liabilities, expenses or claims arise solely out of or are based upon any such alleged untrue statement made or such alleged omission to state a material fact included or excluded on the written direction of the Collateral Agent. The Pledgor and Ferrellgas will cause the Operating Partnership to bear all costs and expenses of carrying out their obligations hereunder.

(i) Proceed by an action or actions at law or in equity to recover the indebtedness secured hereunder or to foreclose this Agreement and sell the Pledged Collateral, or any portion thereof, pursuant to a judgment or decree of a court or courts of competent jurisdiction; and

(j) In the event the Collateral Agent recovers possession of all or any part of the Pledged Collateral pursuant to a writ of possession or other judicial process, whether prejudgment or otherwise, the Collateral Agent may thereafter retain, sell or otherwise dispose of such Pledged Collateral in accordance with this Agreement or the applicable Uniform Commercial Code, and following such retention, sale or other disposition, the Collateral Agent may voluntarily dismiss without prejudice the judicial action in which such writ of possession or other judicial process was issued. The Pledgor hereby consents to the voluntary dismissal by the Collateral Agent of such judicial action, and the Pledgor further consents to the exoneration of any bond which the Collateral Agent filed in such action.

SECTION 8. Miscellaneous Provisions.

8.1 Notices. Any notice or communication by the Collateral Agent, the Pledgor or Ferrellgas to the others is duly given if in writing and delivered in person or mailed by first class mail (registered or certified) with return receipt requested, telex, telecopier or overnight air courier guaranteeing next day delivery, to the others' address:

If to the Collateral Agent:

American Bank National Association
101 East Fifth Street
St. Paul, MN 55101-1860
Telecopier No.: (612) 229-6415
Attention: Corporate Trust Department

If to the Pledgor and Ferrellgas:

Ferrellgas Partners, L.P.,
One Liberty Plaza
Liberty, MO 64068
Telecopier No.: (816) 792-6979
Attention: Danley K. Sheldon

With a copy to:

Bryan Cave LLP
One Kansas City Place
1200 Main Street, Suite 3500
Kansas City, Missouri 64105-2100
Telecopier No.: (816) 374-3300
Attention: Kendrick T. Wallace

The Collateral Agent, the Pledgor or Ferrellgas, by notice to the others may designate additional or different addresses for subsequent notices or communications.

The Pledgor shall forward to the Collateral Agent, without delay, any notices, letters or other communications delivered to the Pledgor naming the Collateral Agent or any similar designation as addressee, or which could reasonably be deemed to materially and adversely affect the ability of the Pledgor, the Operating Partnership, or Ferrellgas to perform its obligations to the Collateral Agent.

All notices and communications shall be deemed to have been duly given: at the time delivered by hand, if personally delivered; five business days after being deposited in the mail, postage prepaid, if mailed; when answered back, if telexed; when receipt acknowledged, if telecopied; and the next business day after timely delivery to the courier, if sent by overnight air courier guaranteeing next day delivery.

8.2 Headings. The various headings in this Agreement are inserted for convenience only and shall not affect the meaning or interpretation of this Agreement or any provision hereof.

8.3 Governing Law. This Agreement shall be construed in accordance with and all disputes hereunder shall be governed by the laws of the State of New York.

8.4 Amendments. This Agreement or any provision hereof may be changed, waived, or terminated only by a statement in writing signed by the party against which such change, waiver or termination is sought to be enforced.

8.5 No Waiver. No delay in enforcing or failure to enforce any right under this Agreement by the Collateral Agent shall constitute a waiver by the Collateral Agent of such right. No waiver by the Collateral Agent of any default hereunder shall be effective unless in writing, nor shall any waiver operate as a waiver of any other default or of the same default on a future occasion.

8.6 Time of the Essence. Time is of the essence of each provision of this Agreement of which time is an element.

8.7 Binding Agreement. All rights of the Collateral Agent hereunder shall inure to the benefit of its successors and assigns. The Pledgor shall not assign any of its interest under this Agreement without the prior written consent of the Collateral Agent. Any purported assignment inconsistent with this provision shall, at the option of the Collateral Agent, be null and void.

8.8 Definitions. All capitalized terms not defined herein shall have the meaning set forth in the Indenture or the Uniform Commercial Code as in effect in the State of New York on the date hereof, except where the context otherwise requires.

8.9 Entire Agreement. This Agreement, together with any other agreement executed in connection herewith, is intended by the parties as a final expression of their agreement and is intended as a complete and exclusive statement of the terms and conditions thereof. Acceptance of or acquiescence in a course of performance rendered under this Agreement shall not be relevant to determine the meaning of this Agreement even though the accepting or acquiescing party had knowledge of the nature of the performance and opportunity for objection.

8.10 Attorneys' Fees. In any action or proceeding brought to enforce any provision of this Agreement, or to seek damages for a breach of any provision hereof, or where any provision hereof is validly asserted as a defense, the successful party shall be entitled to recover reasonable attorneys' fees in addition to any other available remedy.

8.11 Severability. If any provision of this Agreement should be found to be invalid or unenforceable, all of the other provisions shall nonetheless remain in full force and effect to the maximum extent permitted by law.

8.12 Survival of Provisions. All representations, warranties and covenants of the Pledgor and Ferrellgas contained herein shall survive the execution and delivery of

this Agreement, and shall terminate only upon the full and final payment by the Pledgor of its indebtedness secured hereunder.

8.13 Setoff. The Collateral Agent shall have the right, at any time, to set off any indebtedness or obligation of the Pledgor against any indebtedness or obligation of the Collateral Agent incurred hereunder, without notice to or demand upon the Pledgor and whether or not any such indebtedness or obligations are liquidated or mature at the time of such offset. The Collateral Agent's right of offset hereunder shall be in addition to and not in limitation of any other rights or remedies which may exist in favor of the Collateral Agent.

8.14 Power of Attorney. The Pledgor hereby irrevocably appoints and constitutes the Collateral Agent as the Pledgor's attorney-in-fact to exercise all of the following powers upon the occurrence and during the pendency of a Default (as defined in Section 6 hereof): (i) collection of proceeds of any Pledged Collateral; (ii) conveyance of any item of Pledged Collateral to any purchaser thereof; (iii) giving of any notices or recording of any Liens hereunder; (iv) making of any payments or taking any acts hereunder and (v) paying or discharging taxes or Liens levied or placed upon or threatened against the Pledged Collateral, the legality or validity thereof and the amounts necessary to discharge the same to be determined by the Collateral Agent in its sole discretion, and such payments made by the Collateral Agent to become the obligations of the Pledgor to the Collateral Agent, due and payable immediately without demand. The Collateral Agent's authority hereunder shall include, without limitation, the authority to endorse and negotiate, for the Collateral Agent's own account, any checks or instruments in the name of the Pledgor, execute and give receipt for any certificate of ownership or any document, transfer title to any item of Pledged Collateral, sign the Pledgor's name on all financing statements or any other documents deemed necessary or appropriate to preserve, protect or perfect the security interest in the Pledged Collateral and to file the same, prepare, file and sign the Pledgor's name on any notice of Lien, and prepare, file and sign the Pledgor's name on a proof of claim in bankruptcy or similar document against any creditor of the Pledgor, and to take any other actions arising from or incident to the powers granted to the Collateral Agent in this Agreement. This power of attorney is coupled with an interest and is irrevocable by the Pledgor.

8.15 Authority of the Collateral Agent. The Collateral Agent shall have and be entitled to exercise all powers hereunder which are specifically delegated to the Collateral Agent by the terms hereof. The Collateral Agent may perform any of its duties hereunder or in connection with the Pledged Collateral by or through agents or employees and shall be entitled to retain counsel and to act in reliance upon the advice of counsel concerning all such matters. Neither the Collateral Agent nor any director, officer, employee, attorney or agent of the Collateral Agent shall be liable to the Pledgor or Ferrellgas for any action taken or omitted to be taken by it or them hereunder, except for its or their own gross negligence or willful misconduct; nor shall the Collateral Agent be responsible for the validity, effectiveness or sufficiency hereof or of any document or security furnished pursuant hereto. The Collateral Agent and the Pledgor each shall be

entitled to rely on any communication, instrument or document believed by it or them to be genuine and correct and to have been signed or sent by the proper person or persons. The Pledgor and Ferrellgas jointly and severally agree to indemnify and hold harmless the Collateral Agent and/or any such other person from and against any and all costs, expenses (including attorneys' fees), claims or liability incurred by the Collateral Agent or such person hereunder, unless such claim or liability shall be due to willful misconduct or gross negligence on the part of the Collateral Agent or such person. If a Default does not then exist, and delay in commencing or responding to such action or proceeding does not prejudice the rights of the Collateral Agent or subject the Collateral Agent to any increased liability, and the Pledgor or any of its affiliates is not a party to such action or proceeding, the Collateral Agent shall give the Pledgor notice of its intention to commence, appear in, or defend such action or proceeding and the Pledgor shall have five (5) days after such notice to propose to the Collateral Agent the form and nature of the Collateral Agent's representation in such action or proceeding, which the Collateral Agent may accept or reject in its reasonable discretion. The foregoing notice and the Collateral Agent's decision to accept or reject shall not limit or prejudice the Collateral Agent's rights to payments or indemnification provided in this Agreement.

8.16 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which shall together constitute one and the same agreement.

8.17 Termination of Agreement. This Agreement shall terminate upon full and final payment of all Obligations secured hereunder.

8.18 Waiver. To the extent permitted by applicable law, the Pledgor and Ferrellgas hereby agree to waive, and hereby absolutely and irrevocably waive and relinquish the benefit and advantage of, and hereby covenant not to assert against the Collateral Agent any of the following:

(a) All right to require the Collateral Agent to apply any Pledged Collateral which the Collateral Agent may hold to the obligations of the Pledgor or the Operating Partnership to the Collateral Agent at any time or to pursue any other remedies;

(b) Any claim that the release, substitution or addition of Pledged Collateral, endorsers or guarantors affects the liability of the Pledgor hereunder; and

(c) any right of subrogation and any right to participate in the Pledged Collateral until all Obligations hereby secured have been paid in full.

8.19 Further Assurances. The Pledgor and Ferrellgas will execute and deliver to the Collateral Agent, at its request, any further instruments and will perform any and all acts deemed reasonably necessary by the Collateral Agent to carry into effect the

terms, conditions and provisions of this Agreement and the transactions connected herewith. In the event that the same be required in connection with this transaction, or in connection with any sale made in the course of enforcement of this Agreement, the Pledgor and Ferrellgas shall execute and deliver any and all instruments which may be required by law or by the regulations or rules of any governmental agency to effectuate this Agreement and to perfect the security interest granted herein to the Collateral Agent, as well as to effectuate the sale and transfer of the Pledged Collateral sold to the purchaser or purchasers at any sale made pursuant to, or in enforcement or foreclosure of, this Agreement. Should the Pledgor and Ferrellgas fail to execute or deliver any such instruments or to perform any such acts, the Pledgor and Ferrellgas hereby irrevocably authorizes and appoints the Collateral Agent to execute and to deliver such instruments and to perform such acts in the name of the Pledgor and Ferrellgas on their behalf as their attorney-in-fact.

8.20 Right to Receive Distributions and Vote the Pledged Interest. Unless a Default shall have occurred and be continuing, the Pledgor shall have the right to receive all payments or distributions that it is entitled to receive as a partner of or creditor of the Operating Partnership and the right to exercise the voting and other consensual rights that it is entitled to exercise under the Partnership Agreement.

Upon the occurrence and during the pendency of a Default, the Pledgor shall not receive payments or distributions as a partner of or creditor of the Operating Partnership, provided, however, that the Pledgor will be entitled to receive such cash, dividends, distributions, interest and other payments from the Operating Partnership that are sufficient to permit the Pledgor to satisfy its ordinary course operating expenses whether or not a Default shall have occurred. The Pledgor hereby authorizes and directs the Operating Partnership, upon the occurrence and during the pendency of a Default, to make all payments and distributions (other than the payments and distributions described in the proviso of the preceding sentence), to which the Pledgor would otherwise be entitled, directly to the Collateral Agent and all payments and other distributions that are received by the Pledgor contrary to the provisions of this Section 8.20 shall be received in trust for the benefit of the Collateral Agent and the Holders, shall be segregated from the other property or funds of the Pledgor and shall be forthwith delivered to the Collateral Agent as Pledged Collateral in the same form as so received (with any necessary endorsements).

Upon the occurrence and during the pendency of a Default, all rights of the Pledgor to exercise the voting and other consensual rights that it would otherwise be entitled to exercise under the Partnership Agreement shall cease, and all such rights shall thereupon become vested in the Collateral Agent, which, to the extent permitted by law and the Partnership Agreement, shall thereupon have the sole right to exercise such voting and other consensual rights.

8.21 Limited Recourse. No limited partner of the Pledgor or director, officer, employee, incorporator or stockholder of the General Partner shall have any

liability for any obligations of the Pledgor or Ferrellgas under this Agreement or for any claim based on, in respect of or by reason of such obligations or their creation. Each Holder, by accepting a Senior Note, waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Senior Notes. The foregoing limitation of personal liability shall be subject to the following exceptions and qualifications:

(a) directors, officers, employees, incorporators and stockholders of the General Partner shall be fully and personally liable for the following:

(i) fraud;

(ii) retention by such persons of any income arising with respect to the Pledged Collateral held in trust by the Pledgor under the provisions of this Agreement, which, under the terms of this Agreement, should have been paid to the Collateral Agent; and

(iii) any losses that result from the transfer (not expressly permitted under this Agreement) of the Pledged Collateral.

(b) Nothing contained in this paragraph shall affect or limit the ability of the Collateral Agent to enforce any of its rights or remedies with respect to any property encumbered by this Agreement.

8.22 Additional Interests. If, after the date hereof and provided no Default shall have occurred and be continuing, the Pledgor shall incur any additional Indebtedness (as defined in the Indenture) permitted to be incurred under the terms of the Indenture and that is not expressly subordinate in right of payment to any other Indebtedness, such Indebtedness may be secured by the Pledged Collateral on a pro rata basis with the Obligations secured hereunder; provided that (i) the Collateral Agent shall act as collateral agent with respect to the Pledged Collateral for both the Holders and the holders of such Indebtedness, (ii) the continued priority and perfection of the Collateral Agent's security interest in the Pledged Collateral for the benefit of the Holders shall not, in the sole opinion of the Collateral Agent, be interrupted, diminished or otherwise adversely affected (other than by virtue of the fact that the Holders will be sharing the Pledged Collateral equally and ratably on a pro rata basis with the holders of such Indebtedness) and (iii) the rights and remedies of the holders of such Indebtedness with respect to the Pledged Collateral shall be no greater or more extensive than the rights of the Holders with respect to the Pledged Collateral. In connection with the grant of any such security interest for the benefit of the holders of such Indebtedness, the Collateral Agent agrees to enter into any agreements reasonably required to accomplish the purposes of this Section 8.22 (including, if necessary, an amended and restated pledge agreement and/or an intercreditor agreement which is substantially identical to the terms of this Agreement).

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered the day and year first above written.

Very truly yours,

FERRELLGAS PARTNERS, L.P.
By: FERRELLGAS, INC.,
as General Partner

By:
Name: Danley K. Sheldon
Title: Senior Vice President

FERRELLGAS, INC.,

By:
Name: Danley K. Sheldon
Title: Senior Vice President

COLLATERAL AGENT:

AMERICAN BANK NATIONAL ASSOCIATION,
as Collateral Agent

By:
Name:
Title:

By:
Name:
Title:

Exhibit A
Partnership Agreement

Exhibit B
Operating Partnership Agreement

For immediate release
Contacts
Investor Relations: Theresa Schekirke, 816/792-6826
Media Relations: Linda Bengston, 816/792-7902

Ferrellgas Completes Acquisitions

LIBERTY, Mo. (May 1, 1996)--Ferrellgas , Inc., General Partner of Ferrellgas Partners, L.P. (NYSE:FGP), announced today that it has completed purchase of the stock of Skelgas Propane, Inc., from Superior Propane, Inc., of Toronto, Canada, for total consideration of approximately $89.7 million, which included approximately $21 million of net working capital. The Skelgas business will be contributed to Ferrellgas, L.P., the operating subsidiary of Ferrellgas Partners, L.P.

The agreement to purchase Skelgas was announced in March. Before the acquisition, Skelgas was the seventh-largest propane supplier in the nation, operating 92 retail propane outlets across the United States with sales of approximately 97 million gallons a year to residential, industrial/commercial and agricultural customers.

In a separate transaction, Ferrellgas has also completed the acquisition of Superior Propane based in Nevada City, CA. The company serves some 17,500 residential, industrial/commercial and agricultural customers in California and Nevada through seven outlets.

These acquisitions bring to 20 the number of acquisitions Ferrellgas has completed since becoming a publicly traded Master Limited Partnership (MLP) in 1994 and add more than 106 million gallons to the company's annual retail sales.

Ferrellgas is the second-largest retail marketer of propane in the United States, serving more than 800,000 customers in 45 states.

# # #

For immediate release
Contacts
Investor Relations: Theresa Schekirke, 816/792-6826
Linda Bengston: Media Relations, 816/792-7902

Ferrellgas Partners, L.P.
Completes Private Offering of Senior Secured Notes

LIBERTY Mo. (April 26, 1996)--Ferrellgas Partners, L.P. (NYSE:FGP) announced today that it has issued $160 million of fixed rate 9 3/8% Senior Secured Notes due 2006 in a private placement to qualified institutional investors under Rule 144A. Proceeds of the offering will be contributed by Ferrellgas Partners to its operating partnership, Ferrellgas, L.P., and will be used primarily to repay outstanding indebtedness under Ferrellgas, L.P.'s acquisition bank credit lines.

Ferrellgas Partners, L.P., through its operating partnership, Ferrellgas, L.P., is the second-largest retail marketer of propane in the United States, serving more than 700,000 customers in 45 states.

The Senior Notes have not been registered under the Securities Act and may not be offered or sold in the United States absent such registration or an applicable exemption from the registration requirements of such Act. This press release shall not constitute an offer to sell or the solicitation of an offer to buy these Senior Notes nor shall there by any sale of these Senior Notes in any state in which such offer or solicitation of sale would be unlawful prior to registration or qualification under the securities laws of any state.

# # #

AUDITORS' REPORT

To the Board of Directors and Stockholders of
Skelgas Propane, Inc.:

We have audited the consolidated balance sheets of Skelgas Propane, Inc. as at December 31, 1995 and 1994 and the consolidated statements of loss and accumulated deficit and cash flows for the year ended December 31, 1995. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 1995 and 1994 the results of its operations and its cash flows for the year ended December 31, 1995 in accordance with accounting principles generally accepted in the United States of America.

DELOITTE & TOUCHE
Chartered Accountants

Markham, Canada
April 15, 1996

Consolidated Financial Statements of

SKELGAS PROPANE, INC.

December 31, 1995

SKELGAS PROPANE, INC.
Consolidated Balance Sheet
December 31, 1995 and 1994

(U.S. dollars)	1995	1994
Assets		
Current assets:		
Cash	$ 3,490,359	$ 3,132,411
Trade accounts receivable (net of allowance for doubtful accounts of $285,760; 1994 - $267,800)	7,516,865	5,867,971
Other receivables	437,564	1,025,172
Current environmental costs recoverable (note 2)	319,138	181,669
Receivable from related companies (note 3)	1,559,619	3,497,933
Inventories (note 4)	8,630,846	6,937,849
Prepaid expenses	1,134,563	1,604,979
	23,088,954	22,247,984
Environmental costs recoverable (note 2)	686,243	135,603
Appliances on rental, at cost less accumulated depreciation	574,128	623,834
Property, plant and equipment (note 5)	51,816,208	53,419,549
Other assets (note 6)	9,733,804	61,689,733
	$ 85,899,337	$138,116,703
Liabilities and Stockholder's Equity		
Current liabilities:		
Accounts payable	$ 3,001,730	$ 3,621,461
Accrued liabilities	6,638,518	4,556,075
Accrued environmental liability (note 2)	561,022	330,015
Income and other taxes payable	424,913	399,097
Current portion of long-term debt (note 7)	52,938	52,350
	10,679,121	8,958,998
Long-term debt (note 7)	18,377	70,771
Stockholder's equity:		
Preferred stock, $1.00 par value, 100,000 shares authorized, none issued or outstanding	-	-
Common stock, $1,000.00 par value, 200,000 shares authorized, 155,000 shares issued and outstanding	155,000,000	155,000,000
Accumulated deficit	(79,798,161)	(25,913,066)
	75,201,839	129,086,934
	$ 85,899,337	$138,116,703

SKELGAS PROPANE, INC.
Consolidated Statement of Loss and Accumulated Deficit
Year ended December 31, 1995

(U.S. dollars)	1995
Revenues	$ 75,230,313
Cost of products sold (including depreciation of $162,516)	39,897,582
	35,332,731
Expenses:	
Operating and overhead	26,288,549
Selling	2,056,836
General and administrative	3,090,539
Interest and foreign exchange adjustments	18,033
Depreciation and amortization (note 8)	57,472,523
	88,926,480
Loss before income taxes	(53,593,749)
Income taxes (note 9)	291,346
Loss for the year	(53,885,095)
Accumulated Deficit at beginning of year	(25,913,066)
Accumulated Deficit at end of year	$(79,798,161)

SKELGAS PROPANE, INC.
Consolidated Statement of Cash Flows
Year ended December 31, 1995

(U.S. dollars)	1995
Cash provided by (used for):	
Operations:	
Loss for the year	$(53,885,095)
Items not involving cash:	
Depreciation and amortization	57,635,039
	3,749,944
Change in non-cash operating working capital	685,873
	4,435,817
Financing:	
Repayment of long-term debt	(51,806)
	(51,806)
Investments:	
Proceeds from disposals of property, plant and equipment	384,615
Purchases of property, plant and equipment	(4,297,868)
Purchases of appliances on rental	(112,810)
	(4,026,063)
Increase in cash position	357,948
Cash at beginning of year	3,132,411
Cash at end of year	$ 3,490,359
Supplemental disclosure of cash flow information	
Income taxes paid	$ 277,785
Interest paid	$ 6,311

SKELGAS PROPANE, INC.
Notes to Consolidated Financial Statements

December 31, 1995

Skelgas Propane, Inc. (the Company), incorporated under the laws of Delaware, has as its principal business activity the marketing of propane. The Company is a wholly-owned subsidiary of Superior Propane Inc. (the Parent) incorporated under the laws of Canada.

1. Summary of significant accounting policies:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The Company's significant accounting policies are as follows:

Basis of consolidation:

The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany accounts and transactions have been eliminated.

Inventories:

Inventories of propane are valued at the lower of cost and market determined on the basis of net realizable value. Inventories of appliances, materials and supplies are stated at the lower of cost and market value determined on the basis of replacement cost or net realizable value. Cost is determined on the first-in, first-out (FIFO) method.

Appliances on rental:

Appliances on rental are stated at cost less accumulated depreciation. Depreciation is provided on a straight-line basis, generally over a period of six years.

Property, plant and equipment:

Property, plant and equipment are recorded at cost and depreciated over the estimated useful service life using the straight line method except for loaned dispensers which use the declining balance method at an annual rate of 10%. Property, plant and equipment are evaluated periodically, and if conditions warrant, an impairment is recorded. The estimated useful life of major asset classes are:

Buildings	20 years
Propane marketing equipment	7 - 20 years

Goodwill:

Goodwill and non-compete agreements are recorded at cost less accumulated amortization. Non-compete agreements are amortized on a straight line basis over 10 years. Effective January 1, 1993, the Company revised the amortization period for goodwill from 40 years to 20 years prospectively. Goodwill is evaluated periodically, and if conditions warrant, an impairment is recorded.

Income taxes:

The Company follows Statement of Financial Accounting Standards (SFAS) No. 109 - "Accounting for Income Taxes". This Statement requires the liability method of accounting for income taxes. The Company has established valuation reserves on the deferred tax asset related to the net operating loss carryforwards.

Environmental Remediation:

The Company accrues environmental remediation costs for work at identified sites where an assessment has indicated that cleanup costs are probable and reasonably estimable. Such accruals are based on currently available facts, estimated timing of remedial actions, existing technology and presently enacted laws and regulations. The accruals are routinely reviewed as events and developments warrant.

2. Accrued environmental liability and costs recoverable:

The Company is subject to federal, state and local laws regulating environmental remediation. These laws result in loss contingencies for remediation at some of the Company's current locations as well as third party or formerly owned facilities. The estimated costs for restoration and remediation of these locations was accrued separately in the amount of $561,022 (1994 - $330,015). Realization of claims from governmental authorities for recovery of costs incurred in respect of environmental liabilities totalling $1,005,381 at December 31, 1995 (1994 - $317,272) will be recovered between 1996 and 1999.

3. Related party transactions:

The Company buys propane from an affiliate. During the year, such purchases amounted to $7,696,773.

3. Related party transactions (continued):

The company received administrative services which are provided by the Parent for which it pays a fee. The charge for these services is based on a reasonable estimation of the time and effort spent by the the Parent's various corporate office groups to provide services to the Company. For the year ended December 31, 1995, the fees were $2,170,072.

In addition, certain other transactions are entered into with affiliated companies. The receivable from the affiliates was $1,559,619 (1994 - $3,497,933).

4. Inventories:

	1995	1994
Propane	$5,790,211	$4,215,443
Appliances	1,777,809	1,842,690
Materials and supplies	1,062,826	879,716
	$8,630,846	$6,937,849

5. Property, plant and equipment:

	1995			1994
	Cost	Accumulated Depreciation and Amortization	Net Book Value	Net Book Value
Land	$ 3,605,798	$ -	$ 3,605,798	$ 3,611,415
Buildings	6,958,062	2,715,773	4,242,289	4,322,885
Propane marketing equipment	84,154,952	40,186,831	43,968,121	45,485,249
	$94,718,812	$42,902,604	$51,816,208	$53,419,549

6. Other assets:

	1995	1994
Goodwill (net of accumulated amortization of $59,835,876; 1994 - $9,289,725)	$2,354,026	$52,900,177
Non-compete agreements (net of accumulated amortization of $8,834,052; 1994 - $6,749,683)	7,379,778	8,789,556
	$9,733,804	$61,689,733

In the last quarter of 1995, the Company changed its method of evaluating goodwill from a cost recovery method based on a 10 year discounted cash flow to a net realizable value method. This change was a result of the Parent's decision to divest its interest in the Company. This necessitated a write down of the goodwill in the amount of $47,612,072, which is included as part of the amortization of goodwill in 1995 as set out in note 8.

7. Long-term debt:

	1995	1994
Notes payable for non-compete agreements	$71,315	$123,121
Less: Current portion of long-term debt	52,938	52,350
	$18,377	$ 70,771

8. Depreciation and amortization:

	1995
Depreciation	$ 5,690,165
Amortization of goodwill	50,546,151
Amortization of non-compete agreements	1,409,778
Gain on disposal of property, plant and equipment	(173,571)
	$57,472,523

9. Income taxes

The provision for income taxes includes the following:

	1995
Current taxes:	
Federal	$ -
State	291,346
Total current taxes	291,346
Deferred taxes	-
Total income taxes	$291,346

The provision for income taxes differs from applying the federal statutory income tax rate of 34 percent to the loss before income taxes as follows:

	1995
Statutory federal rate	(34.0)%
Goodwill	33.0%
Other	1.5%
Effective income tax rate	0.5%

9. Income taxes (continued)

The types and tax effects of the temporary differences that cause significant portions of deferred tax assets and liabilities are as follows:

		1995	1994
Deferred tax assets:			
Net operating loss carryforwards		$23,966,000	$23,812,000
Self insurance reserve		670,000	-
Investment tax credits		250,000	250,000
Inventory costs capitalized for tax purposes		155,000	155,000
Non deductible allowance for doubtful accounts	114,000	107,000	
Restructuring charge		-	190,000
Total deferred tax assets		25,155,000	24,514,000
Deferred tax liabilities:			
fixed asset basis differences / depreciation		14,033,000	14,427,000
Subtotal		11,122,000	10,087,000
Total valuation allowance		11,122,000	10,087,000
Net deferred tax asset		$ -	$ -

As at December 31, 1995, the Company had net operating loss carryforwards of approximatly $60,000,000. These carryforwards expire between 1999 and 2008. Restrictions on the utilization of the net operating loss carryforwards apply as a result of the change in the control that occurred upon acquisition of the Company in 1990.

As at December 31, 1995, the Company has investment tax credit carryforwards of $250,000. These carryforwards expire between 1999 and 2000.

10. Employee retirement plans:

Many of the Company's employees are eligible to participate in 401(k) Savings Plans, some of which provide for company matching under various formulas. The Company's matching expense for the plans was $235,051 for the year ended December 31, 1995.

11. Financial Instruments:

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of trade receivables. Concentrations of credit risk with respect to trade receivables are limited due to the large number of customers comprising the Company's customer base.

Financial instruments comprise cash, accounts receivable, accounts payable, accrued liabilities, and long-term debt. The fair value of these financial instruments approximates their carrying value.

12. Operating lease commitments:

The Company leases buildings and propane marketing equipment under operating leases which expire in various years through 2000.

Future minimum lease payments by year under operating leases with initial terms or remaining terms of one year or more consisted of the following at December 31, 1995:

1996	$253,869
1997	188,436
1998	185,836
1999	184,686
2000	122,059

13. Contingencies:

At December 31, 1995, there are a number of lawsuits and claims pending against the Company, the ultimate results of which have been estimated and included in accrued liabilities. Management is of the opinion that these claims are adequately reflected in the consolidated balance sheet of the Company as at December 31, 1995 and that any additional amounts assessed against the Company would not have a material adverse effect upon the consolidated financial position of the Company or the results of its operations.

14. Subsequent event:

On March 23, 1996, an agreement to sell the shares of the Company was signed with a prospective acquiror. The transaction is dependent upon regulatory and other approvals, which are expected by April 30, 1996, at which time the transaction is anticipated to close.