UNITED STATES
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 20, 2004

Date of Report: April 22, 2004

Ferrellgas Partners, L.P.
Ferrellgas Partners Finance Corp.
Ferrellgas, L.P.
Ferrellgas Finance Corp.

(Exact name of registrants as specified in their charters)

Delaware	001-11331	43-1698480
Delaware	333-06693	43-1742520
Delaware	000-50182	43-1698481
Delaware	000-50183	14-1866671
(States or other jurisdictions of incorporation or organization)	Commission file numbers	(I.R.S. Employer Identification Nos.)

One Liberty Plaza, Liberty, Missouri 64068
(Address of principal executive offices) (Zip Code)

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

ITEM 2. ACQUISITION OR DISPOSITION OF ASSETS

Merger and Contribution of Blue Rhino

On April 20, 2004, FCI Trading Corp., an affiliate of Ferrellgas, Inc., our general partner, acquired all of the outstanding common stock of Blue Rhino Corporation in an all-cash merger. Pursuant to an Agreement and Plan of Merger dated February 8, 2004, a subsidiary of FCI Trading merged with and into Blue Rhino Corporation whereby the then current stockholders of Blue Rhino Corporation were granted the right to receive a payment from FCI Trading of $17.00 in cash for each share of Blue Rhino Corporation common stock outstanding on April 20, 2004. FCI Trading thereafter became the sole stockholder of Blue Rhino Corporation and immediately after the merger, FCI Trading converted Blue Rhino Corporation into a limited liability company, Blue Rhino LLC.

Pursuant to a Contribution Agreement dated February 8, 2004, FCI Trading contributed on April 21, 2004 all of the membership interests in Blue Rhino LLC to Ferrellgas, L.P. through a series of transactions and Ferrellgas, L.P. assumed FCI Trading's obligation under the Agreement and Plan Of Merger to pay the $17.00 per share to the former stockholders of Blue Rhino Corporation together with other specific obligations. In consideration of this contribution, Ferrellgas Partners issued 195,686 common units to FCI Trading. Both we and FCI Trading have agreed to indemnify our general partner from any damages incurred by our general partner in connection with the assumption of any of the obligations described above. Also on April 21, 2004, subsequent to the contribution described above, Blue Rhino LLC merged with and into Ferrellgas, L.P.

In addition to the payment of $17.00 per share to the former stockholders of Blue Rhino Corporation, each vested stock option and warrant that permits its holder to purchase common stock of Blue Rhino Corporation that was outstanding immediately prior to the merger was converted into the right to receive a cash payment from Blue Rhino Corporation equal to the difference between $17.00 per share and the applicable exercise price of the stock option or warrant. Unvested options and warrants not otherwise subject to automatic accelerated vesting upon a change in control vested on a pro rata basis through April 19, 2004, based on their original vesting date. The total payment to the former Blue Rhino Corporation stockholders for all common stock outstanding on April 20, 2004 and for those Blue Rhino Corporation options and warrants then outstanding was approximately $343million. A press release regarding the merger and contribution was issued by us on April 20, 2004 and is filed as Exhibit 99.2 to this Current Report and is hereby incorporated by reference into this description.

ITEM 5. OTHER EVENTS AND REGULATION FD DISCLOSURE

Closing of $250 Million Senior Note Offering

On April 20, 2004 we announced that Ferrellgas Escrow LLC, a wholly-owned subsidiary of Ferrellgas, L.P., and Ferrellgas Finance Escrow Corporation, a wholly-owned indirect subsidiary of Ferrellgas, L.P., closed a private placement of $250 million of 6-3/4% senior notes due 2014. The two subsidiaries are co-obligors under the senior notes and received net proceeds of approximately $243.5 million from the private placement based on an offering price of 99.637% per note and after deducting underwriting discounts and commissions. The senior notes were issued pursuant to an indenture dated April 20, 2004. The indenture is filed as Exhibit 4.1 to this Current Report and is hereby incorporated by reference into this description. A press release regarding the closing of this private placement was issued by us and Ferrellgas, L.P. on April 20, 2004 and is filed as Exhibit 99.1 to this Current Report and is hereby incorporated by reference into this description.

On April 21, 2004, Ferrellgas Escrow LLC was merged with and into Ferrellgas, L.P. and Ferrellgas Finance Escrow Corporation was merged with and into Ferrellgas Finance Corp., thereby making Ferrellgas, L.P. and Ferrellgas Finance Corp. the new co-obligors under the senior notes. Ferrellgas, L.P. and Ferrellgas Finance Corp. have agreed to effect an exchange offer for the senior notes pursuant to a registration rights agreement dated April 20, 2004. The registration rights agreement is filed as Exhibit 4.2 to this Current Report and is hereby incorporated by reference into this description.

Billy D. Prim named an Executive Officer and appointed to Board of Directors

Mr. Billy D. Prim, the former Chairman and Chief Executive Officer of Blue Rhino Corporation, entered into an employment agreement dated February 8, 2004 with Ferrell Companies, Inc. and our general partner that became effective April 20, 2004. Mr. Prim was also named to the Board of Directors of both those entities on April 20, 2004. Pursuant to the terms of Mr. Prim's employment agreement, on April 21, 2004 we paid Mr. Prim a non-compete and non-solicitation payment of $2.5 million. Mr. Prim's employment agreement is filed as Exhibit 99.6 to this Current Report and is hereby incorporated by reference into this description.

Ferrell Common Unit Purchase

On April 21, 2004, Mr. Ferrell purchased approximately $1.8 million of common units pursuant to a Unit Purchase Agreement dated February 8, 2004 and also exercised common unit options to purchase $3.2 million of common units.

Billy D. Prim and others' Common Unit Purchases

Mr. Prim and two other former Blue Rhino Corporation stockholders, each entered into Unit Purchase Agreements with us dated February 8, 2004, pursuant to which they purchased common units with an aggregate value of $31 million on April 21, 2004. Mr. Prim's purchase consisted of $15 million of common units. We have agreed to file a registration statement to register these common units, along with those common units issued pursuant to Mr. Prim's contribution of a piece of real property as described below, within ninety days of April 21, 2004.

Billy D. Prim Land Contribution

On April 21, 2004, Mr. Prim contributed to us a piece of real property in Yadkin County, North Carolina previously leased to Blue Rhino Corporation in exchange for common units with an aggregate value of $3.15 million.

Amendment and Restatement of Partnership Agreement of Ferrellgas, L.P.

On April 7, 2004, we amended and restated the partnership agreement of our operating partnership, Ferrellgas, L.P., to:

- incorporate prior amendments to the partnership agreement; and
- correct a typographical error related to our general partner's percentage ownership interest in our operating partnership.

Although previously filed as Exhibit 3.1 to the Current Report on Form 8-K dated April 15, 2004 of Ferrellgas Partners, L.P., Ferrellgas Partners Finance Corp., Ferrellgas, L.P. and Ferrellgas Finance Corp., the paragraph numbering of the Third Amended and Restated Agreement of Limited Partnership of Ferrellgas L.P. dated April 7, 2004 was incorrect. We are therefore refiling this partnership agreement with the correct paragraph numbering as Exhibit 3.1 to this Current Report and it is hereby incorporated by reference into this description.

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS.

(a) Financial statements of businesses acquired.

Audited consolidated balance sheets of Blue Rhino Corporation and subsidiaries as of July 31, 2003, and 2002 and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years then ended and related footnotes together with the Report of Independent Accountants of Ernst & Young LLP with respect thereto are filed as Exhibit 99.3 to this Current Report.

(b) Pro forma financial information.

(i) The unaudited pro forma condensed combined financial statements of Ferrellgas Partners, L.P. and Blue Rhino Corporation as of January 31, 2004, for the six months ended January 31, 2004 and for the fiscal year ended July 31, 2003, are filed as Exhibit 99.4 to this Current Report.

(ii) The unaudited pro forma condensed combined financial statements of Ferrellgas , L.P. and Blue Rhino Corporation as of January 31, 2004, for the six months ended January 31, 2004 and for the fiscal year ended July 31, 2003, are filed as Exhibit 99.5 to this Current Report.

(c) Exhibits.

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

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrants have duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FERRELLGAS PARTNERS, L.P.

By Ferrellgas, Inc., its general partner

Date: April 22, 2004

By /s/ Kevin T. Kelly

Kevin T. Kelly
Senior Vice President and
Chief Financial Officer

FERRELLGAS PARTNERS FINANCE CORP.

Date: April 22, 2004

By /s/ Kevin T. Kelly

Kevin T. Kelly
Senior Vice President and
Chief Financial Officer

FERRELLGAS, L.P.

By Ferrellgas, Inc., its general Partner

Date: April 22, 2004

By /s/ Kevin T. Kelly

Kevin T. Kelly
Senior Vice President and
Chief Financial Officer

FERRELLGAS FINANCE CORP.

Date: April 22, 2004

By /s/ Kevin T. Kelly

Kevin T. Kelly
Senior Vice President and
Chief Financial Officer

INDEX TO EXHIBITS

Exhibit No.	Description of Exhibit
3.1	Third Amended and Restated Agreement of Limited Partnership of Ferrellgas, L.P., dated as of April 7, 2004.
4.1	Indenture, dated as of April 20, 2004, with form of Note attached, among Ferrellgas Escrow LLC, Ferrellgas Finance Escrow Corporation, Ferrellgas, L.P., Ferrellgas Finance Corp. and U.S. Bank National Association, as trustee, relating to the 6-3/4% Senior Notes due 2014.
4.2	Registration Rights Agreement, dated as of April 20, 2004, among Ferrellgas Escrow LLC, Ferrellgas Finance Escrow Corporation, Ferrellgas, L.P., Ferrellgas Finance Corp., Credit Suisse First Boston LLC, Banc of America Securities LLC, ABN AMRO Incorporated, Banc One Capital Markets, Inc., BNP Paribas Securities Corp., Piper Jaffray & Co., SG Cowen Securities Corporation and Wells Fargo Securities, LLC, relating to the 6-3/4% Senior Notes due 2014.
23.1	Consent of Ernst & Young LLP dated April 20, 2004, independent auditors for the certain use of its report dated September 16, 2003, except for the last paragraph of Note 2 as to which the date is October 8, 2003, with respect to the consolidated financial statements of Blue Rhino Corporation for the year ended July 31, 2003, appearing in Exhibit 99.3 to this Current Report.
99.1	Press Release of Ferrellgas Partners, L.P. and Ferrellgas, L.P. dated April 20, 2004, announcing the consummation by Ferrellgas Escrow LLC and Ferrellgas Finance Escrow Corp. of a private placement of $250 million of 6-3/4% senior notes due 2014.
99.2	Press Release of Ferrellgas Partners, L.P. dated April 20, 2004, announcing the merger of Blue Rhino Corporation with a subsidiary of Ferrell Companies, Inc.
99.3	Audited consolidated balance sheets of Blue Rhino Corporation and subsidiaries as of July 31, 2003, and 2002 and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years then ended and related footnotes together with the Report of Independent Accountants of Ernst & Young LLP with respect thereto.
99.4	Pro forma condensed combined financial statements of Ferrellgas Partners, L.P. and Blue Rhino Corporation as of January 31, 2004, for the six months ended January 31, 2004 and for the fiscal year ended July 31, 2003.
99.5	Pro forma condensed combined financial statements of Ferrellgas, L.P. and Blue Rhino Corporation as of January 31, 2004, for the six months ended January 31, 2004 and for the fiscal year ended July 31, 2003.
99.6	Employment Agreement of Billy D. Prim dated February 8, 2004 among Ferrellgas, Inc., Ferrell Companies, Inc. and Billy D. Prim.

THIRD AMENDED AND RESTATED

AGREEMENT

OF

LIMITED PARTNERSHIP

OF

FERRELLGAS, L.P.

April 7, 2004

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THIRD AMENDED AND RESTATED
AGREEMENT OF LIMITED PARTNERSHIP OF
FERRELLGAS, L.P.

THIS THIRD AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP OF FERRELLGAS, L.P. dated as of April 7, 2004, is entered into by and between the General Partner and the Limited Partner (as such terms are hereinafter defined).

WHEREAS, the Partnership (as such term is hereinafter defined) had previously been governed by the First Amended and Restated Agreement of Limited Partnership of Ferrellgas, L.P. dated as of April 23, 1996; and

WHEREAS, the Partnership is presently governed by the Second Amended and Restated Agreement of Limited Partnership of Ferrellgas, L.P. dated as of October 14, 1998 (the "Second Partnership Agreement"), as amended by that First Amendment to the Second Amended and Restated Agreement of Limited Partnership of Ferrellgas, L.P. dated as of June 5, 2000 (the "First Amendment" and together with the Second Partnership Agreement, the "Current Partnership Agreement");

NOW, THEREFORE, the Current Partnership Agreement is hereby amended to reflect particular amendments made pursuant to Section 14.1 of the Current Partnership Agreement that provides that the General Partner may amend the Current Partnership Agreement without the consent of the Acquisition General Partner or the Limited Partner to reflect a change that:

(a) in the sole discretion of the General Partner, does not adversely affect the Acquisition General Partner or the Limited Partner in any material respect; or

(b) is required to effect the intent of the provisions of the Current Partnership Agreement or are otherwise contemplated by the Current Partnership Agreement,

which amendments are intended to incorporate herein the First Amendment and to correct a typographical error contained therein, and, as so amended, is restated in its entirety as follows:

ARTICLE I
ORGANIZATIONAL MATTERS

SECTION 1.1 Formation.

The General Partner and the Initial Limited Partner have previously formed the Partnership as a limited partnership pursuant to the provisions of the Delaware Act. Except as expressly provided to the contrary in this Agreement, the rights and obligations of the Partners and the administration, dissolution and termination of the Partnership shall be governed by the Delaware Act. All Partnership Interests shall constitute personal property of the owner thereof for all purposes.

SECTION 1.2 Name.

The name of the Partnership shall be, and the business of the Partnership shall be conducted under the name of "Ferrellgas, L.P." The Partnership's business may be conducted under any other name or names deemed necessary or appropriate by the General Partner, including, without limitation, the name of the General Partner or any Affiliate thereof. The words "Limited Partnership," "L.P.," "Ltd." or similar words or letters shall be included in the Partnership's name where necessary for the purposes of complying with the laws of any jurisdiction that so requires. The General Partner in its sole discretion may change the name of the Partnership at any time and from time to time and shall notify the Limited Partner of such change in the next regular communication to the Limited Partner.

SECTION 1.3 Registered Office; Principal Office.

Unless and until changed by the General Partner, the registered office of the Partnership in the State of Delaware shall be located at The Corporation Trust Center, 1209 Orange Street, New Castle County, Wilmington, Delaware 19801, and the registered agent for service of process on the Partnership in the State of Delaware at such registered office shall be The Corporation Trust Company. The principal office of the Partnership and the address of the General Partner shall be One Liberty Plaza, Liberty, Missouri 64068, or such other place as the General Partner may from time to time designate by notice to the Limited Partner. The Partnership may maintain offices at such other place or places within or outside the State of Delaware as the General Partner deems necessary or appropriate.

SECTION 1.4 Power of Attorney.

(a) Each of the Acquisition General Partner and the Limited Partner hereby constitutes and appoints each of the General Partner and, if a Liquidator shall have been selected pursuant to Section 13.3, the Liquidator severally (and any successor to either thereof by merger, transfer, assignment, election or otherwise) and each of their authorized officers and attorneys-in-fact, with full power of substitution, as its true, and lawful agent and attorney-in-fact, with full power and authority in its name, place and stead, to:

(i) execute, swear to, acknowledge, deliver, file and record in the appropriate public offices (A) all certificates, documents and other instruments (including, without limitation, this Agreement and the Certificate of Limited Partnership and all amendments or restatements thereof) that the General Partner or the Liquidator deems necessary or appropriate to form, qualify or continue the existence or qualification of the Partnership as a limited partnership (or a partnership in which the limited partners have limited liability) in the State of Delaware and in all other jurisdictions in which the Partnership may conduct business or own property; (B) all certificates, documents and other instruments that the General Partner or the Liquidator deems necessary or appropriate to reflect, in accordance with its terms, any amendment, change, modification or restatement of this Agreement; (C) all certificates, documents and other instruments (including, without limitation, conveyances and a certificate of cancellation) that the General Partner or the Liquidator deems necessary or appropriate to reflect the dissolution and liquidation of the Partnership pursuant to the terms of this Agreement; (D) all certificates, documents and other instruments relating to the admission, withdrawal, removal or substitution of any Partner pursuant to, or other events described in, Article X, XI, XII or XIII or the Capital Contribution of any Partner; (E) all certificates, documents and other instruments relating to the determination of the rights, preferences and privileges of any class or series of Partnership Interests; and (F) all certificates, documents and other instruments (including, without limitation, agreements and a certificate of merger) relating to a merger or consolidation of the Partnership pursuant to Article XV; and

(ii) execute, swear to, acknowledge, deliver, file and record all ballots, consents, approvals, waivers, certificates, documents and other instruments necessary or appropriate, in the sole discretion of the General Partner or the Liquidator, to make, evidence, give, confirm or ratify any vote, consent, approval, agreement or other action that is made or given by the Partners hereunder or is consistent with the terms of this Agreement or is necessary or appropriate, in the sole discretion of the General Partner or the Liquidator, to effectuate the terms or intent of this Agreement; provided, that when the consent or approval of the Limited Partner is required by any provision of this Agreement, the General Partner or the Liquidator may exercise the power of attorney made in this Section 1.4(a)(ii) only after the necessary consent or approval of the Limited Partner is obtained. Nothing contained in this Section 1.4(a) shall be construed as authorizing the General Partner to amend this Agreement except in accordance with Article XIV or as may be otherwise expressly provided for in this Agreement.

(b) The foregoing power of attorney is hereby declared to be irrevocable and a power coupled with an interest, and it shall survive and not be affected by the subsequent death, incompetency, disability, incapacity, dissolution, bankruptcy or termination of the Acquisition General Partner or the Limited Partner and the transfer of all or any portion of the Acquisition General Partner's or the Limited Partner's Partnership Interest and shall extend to the Acquisition General Partner's and the Limited Partner's heirs, successors, assigns and personal representatives. Each of the Acquisition General Partner and the Limited Partner hereby agrees to be bound by any representation made by the General Partner or the Liquidator acting in good faith pursuant to such power of attorney; and each of the Acquisition General Partner and the Limited Partner hereby waives any and all defenses that may be available to contest, negate or disaffirm the action of the General Partner or the Liquidator taken in good faith under such power of attorney. Each of the Acquisition General Partner and the Limited Partner shall execute and deliver to the General Partner or the Liquidator, within 15 days after receipt of the General Partner's or the Liquidator's request therefor, such further designation, powers of attorney and other instruments as the General Partner or the Liquidator deems necessary to effectuate this Agreement and the purposes of the Partnership.

SECTION 1.5 Term.

The Partnership commenced upon the filing of the Certificate of Limited Partnership in accordance with the Delaware Act and shall continue in existence until the close of Partnership business on July 31, 2084, or until the earlier termination of the Partnership in accordance with the provisions of Article XIII.

SECTION 1.6 Possible Restrictions on Transfer.

Notwithstanding anything to the contrary contained in this Agreement, in the event of (a) the enactment (or imminent enactment) of any legislation, (b) the publication of any temporary or final regulation by the Treasury Department, (c) any ruling by the Internal Revenue Service or (d) any judicial decision, that, in any such case, in the Opinion of Counsel, would result in the taxation of the Partnership as an association taxable as a corporation or would otherwise result in the Partnership being taxed as an entity for federal income tax purposes, then, the General Partner may impose such restrictions on the transfer of Partnership Interests as may be required, in the Opinion of Counsel, to prevent the Partnership from being taxed as an association taxable as a corporation or otherwise as an entity for federal income tax purposes, including, without limitation, making any amendments to this Agreement as the General Partner in its sole discretion may determine to be necessary or appropriate to impose such restrictions.

ARTICLE II
DEFINITIONS

The following definitions shall be for all purposes, unless otherwise clearly indicated to the contrary, applied to the terms used in this Agreement.

"Acquisition Closing Date" means October 14, 1998.

"Acquisition Contribution Agreement" means a contribution agreement among the Acquisition General Partner, the Partnership and Ferrellgas pursuant to which the Acquisition General Partner contributes the assets and properties of a retail propane business to the Partnership and the Partnership assumes certain indebtedness and liabilities of the Acquisition General Partner related to such business or the acquisition thereof.

"Acquisition General Partner" means FAC.

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

"Adjusted Capital Account" means the Capital Account maintained for each Partner as of the end of each fiscal year of the Partnership, (a) increased by any amounts that such Partner is obligated to restore under the standards set by Treasury Regulation Section 1.704-1(b)(2)(ii)(c) (or is deemed obligated to restore under Treasury Regulation Sections 1.704-2(g) and 1.704-2(i)(5)), and (b) decreased by (i) the amount of all losses and deductions that, as of the end of such fiscal year, are reasonably expected to be allocated to such Partner in subsequent years under Sections 704(e)(2) and 706(d) of the Code and Treasury Regulation Section 1.751-1(b)(2)(ii), and (ii) the amount of all distributions that, as of the end of such fiscal year, are reasonably expected to be made to such Partner in subsequent years in accordance with the terms of this Agreement or otherwise to the extent they exceed offsetting increases to such Partner's Capital Account that are reasonably expected to occur during (or prior to) the year in which such distributions are reasonably expected to be made (other than increases as a result of a minimum gain chargeback pursuant to Section 5.1(d)(i) or 5.1(d)(ii)). The foregoing definition of Adjusted Capital Account is intended to comply with the provisions of Treasury Regulation Section 1.704-1(b)(2)(ii)(d) and shall be interpreted consistently therewith.

"Adjusted Property" means any property the Carrying Value of which has been adjusted pursuant to Section 4.5(d)(i) or 4.5(d)(ii). Once an Adjusted Property is deemed distributed by, and recontributed to, the Partnership for federal income tax purposes upon a termination thereof pursuant to Section 708 of the Code, such property shall thereafter constitute a Contributed Property until the Carrying Value of such property is subsequently adjusted pursuant to Section 4.5(d)(i) or 4.5(d)(ii).

"Affiliate" means, with respect to any Person, any other Person that directly or indirectly controls, is controlled by or is under common control with, the Person in question. As used herein, the term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities, by contract or otherwise.

"Agreed Allocation" means any allocation, other than a Required Allocation, of an item of income, gain, loss or deduction pursuant to the provisions of Section 5.1, including, without limitation, a Curative Allocation (if appropriate to the context in which the term "Agreed Allocation" is used).

"Agreed Value" of any Contributed Property means the fair market value of such property or other consideration at the time of contribution as determined by the General Partner using such reasonable method of valuation as it may adopt; provided, however, that the Agreed Value of any property deemed contributed by the Partnership for federal income tax purposes upon termination and reconstitution thereof pursuant to Section 708 of the Code shall be determined in accordance with Section 4.5(c)(i). Subject to Section 4.5(c)(i), the General Partner shall, in its sole discretion, use such method as it deems reasonable and appropriate to allocate the aggregate Agreed Value of Contributed Properties contributed to the Partnership in a single or integrated transaction among each separate property on a basis proportional to the fair market value of each Contributed Property.

"Agreement" means this Third Amended and Restated Agreement of Limited Partnership of Ferrellgas, L.P., as it may be amended, supplemented or restated from time to time.

"Audit Committee" means a committee of the Board of Directors of the General Partner composed entirely of two or more directors who are neither officers nor employees of the General Partner or any of its Affiliates.

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

(a) the sum of:

(i) all cash receipts of the Partnership during such period from all sources (including, without limitation, distributions of cash received by the Partnership from an OLP Subsidiary) plus, in the case of the Quarter ending October 31, 1994, the cash balance of the Partnership as of the close of business on the Closing Date; and

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

(b) less the sum of:

(i) all cash disbursements of the Partnership during such period, including, without limitation, disbursements for operating expenses, taxes, if any, debt service (including, without limitation, the payment of principal, premium and interest), redemption of Partnership Interests, capital expenditures, contributions, if any, to an OLP Subsidiary and cash distributions to Partners (but only to the extent that such cash distributions to Partners exceed Available Cash for the immediately preceding Quarter); and

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

Quarter ending October 31, 1994, such Quarter shall be deemed to commence on the Closing Date. Notwithstanding the foregoing (x) disbursements (including, without limitation, contributions to an OLP Subsidiary or disbursements on behalf of an OLP Subsidiary) made or reserves established, increased or reduced after the end of any Quarter but on or before the date on which the Partnership makes its distribution of Available Cash in respect of such Quarter pursuant to Section 5.3(a) shall be deemed to have been made, established, increased or reduced, for purposes of determining Available Cash, with respect to such Quarter if the General Partner so determines and (y) "Available Cash" with respect to any period shall not include any cash receipts or reductions in reserves or take into account any disbursements made or reserves established after the Liquidation Date.

"Book-Tax Disparity" means with respect to any item of Contributed Property or Adjusted Property, as of the date of any determination, the difference between the Carrying Value of such Contributed Property or Adjusted Property and the adjusted basis thereof for federal income tax purposes as of such date. A Partner's share of the Partnership's Book-Tax Disparities in all of its Contributed Property and Adjusted Property will be reflected by the difference between such Partner's Capital Account balance as maintained pursuant to Section 4.5 and the hypothetical balance of such Partner's Capital Account computed as if it had been maintained strictly in accordance with federal income tax accounting principles.

"Business Day" means Monday through Friday of each week, except that a legal holiday recognized as such by the government of the United States or the states of New York or Missouri shall not be regarded as a Business Day.

"Capital Account" means the capital account maintained for a Partner pursuant to Section 4.5.

"Capital Contribution" means any cash, cash equivalents or the Net Agreed Value of Contributed Property that a Partner contributes to the Partnership pursuant to Section 4.1, 4.2, 4.3, 4.5(c) or 13.8.

"Capital Interests" means, with respect to any corporation, any and all shares, participations, rights or other equivalent interests in the capital of the corporation, and with respect to any partnership, any and all partnership interests (whether general or limited) and any other interests or participations that confer on a Person the right to receive a share of the profits and losses of, or distributions of assets of, such partnership.

"Carrying Value" means (a) with respect to a Contributed Property, the Agreed Value of such property reduced (but not below zero) by all depreciation, amortization and cost recovery deductions charged to the Partners' Capital Accounts in respect of such Contributed Property, and (b) with respect to any other Partnership property, the adjusted basis of such property for federal income tax purposes, all as of the time of determination. The Carrying Value of any property shall be adjusted from time to time in accordance with Sections 4.5(d)(i) and 4.5(d)(ii) and to reflect changes, additions or other adjustments to the Carrying Value for dispositions and acquisitions of Partnership properties, as deemed appropriate by the General Partner.

"Certificate of Limited Partnership" means the Certificate of Limited Partnership filed with the Secretary of State of the State of Delaware as referenced in Section 6.2, as such Certificate of Limited Partnership may be amended, supplemented or restated from time to time.

"Closing Date" means the first date on which Common Units are sold by the MLP to the Underwriters pursuant to the provisions of the MLP Underwriting Agreement.

"Code" means the Internal Revenue Code of 1986, as amended and in effect from time to time, as interpreted by the applicable regulations thereunder. Any reference herein to a specific section or sections of the Code shall be deemed to include a reference to any corresponding provision of future law.

"Common Unit" has the meaning assigned to such term in the MLP Agreement.

"Contributed Property" means each property or other asset, in such form as may be permitted by the Delaware Act, but excluding cash, contributed to the Partnership (or deemed contributed to the Partnership on termination and reconstitution thereof pursuant to Section 708 of the Code). Once the Carrying Value of a Contributed Property is adjusted pursuant to Section 4.5(d), such property shall no longer constitute a Contributed Property, but shall be deemed an Adjusted Property.

"Contribution Agreement" has the meaning assigned to such term in the MLP Agreement.

"Curative Allocation" means any allocation of an item of income, gain, deduction, loss or credit pursuant to the provisions of Section 5.1(d)(ix).

"Delaware Act" means the Delaware Revised Uniform Limited Partnership Act, 6 Del C. ss.ss. 17-101, et seq., as amended, supplemented or restated from time to time, and any successor to such statute.

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

"Economic Risk of Loss" has the meaning set forth in Treasury Regulation Section 1.752-2(a).

"Event of Withdrawal" has the meaning assigned to such term in Section 12.1(a).

"Exchange Act" means the Securities Exchange Act of 1934, as amended supplemented or restated from time to time, and any successor to such statute.

"FAC" means Ferrellgas Acquisition Company, LLC, a Delaware limited liability company whose sole member is Ferrellgas.

"Ferrell" means Ferrell Companies, Inc., a Kansas corporation.

"Ferrellgas" means Ferrellgas, Inc., a Delaware corporation and a wholly owned subsidiary of Ferrell.

"General Partner" means Ferrellgas, and its successors as general partner of the Partnership.

"IDR" has the meaning assigned to such term in the MLP Agreement.

"Indemnitee" means the General Partner, any Departing Partner, any Person who is or was an Affiliate of the General Partner or any Departing Partner, any Person who is or was an officer, director, employee, partner, agent or trustee of the General Partner or any Departing Partner or any such Affiliate, or any Person who is or was serving at the request of the General Partner or any Departing Partner or any such Affiliate as a director, officer, employee, partner, agent or trustee of another Person.

"Initial Limited Partner" means the MLP.

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

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

"Liquidator" means the General Partner or other Person approved pursuant to Section 13.3 who performs the functions described therein.

"Merger Agreement" has the meaning assigned to such term in Section 15.1.

"MLP" means Ferrellgas Partners, L.P., a Delaware limited partnership.

"MLP Agreement" means the Fourth Amended and Restated Agreement of Limited Partnership of Ferrellgas Partners, L.P. dated February 18, 2003, as it may be amended, supplemented or restated from time to time.

"MLP Offering" means the initial offering of Common Units to the public, as described in the MLP Registration Statement.

"MLP Registration Statement" means the Registration Statement on Form S-1 (Registration No. 33-53383), as it has been or as it may be amended or supplemented from time to time, filed by the MLP with the Securities and Exchange Commission under the Securities Act to register the offering and sale of the Common Units in the MLP Offering.

"MLP Subsidiary" means a Subsidiary of the MLP.

"MLP Underwriting Agreement" means the underwriting agreement dated June 27, 1994, among the MLP, the General Partner, Ferrell and the Underwriters named in Schedule I thereto providing for the purchase of Common Units by such Underwriters.

"National Securities Exchange" means an exchange registered with the Securities and Exchange Commission under Section 6(a) of the Exchange Act.

"Net Agreed Value" means, (a) in the case of any Contributed Property, the Agreed Value of such property reduced by any liabilities either assumed by the Partnership upon such contribution or to which such property is subject when contributed, and (b) in the case of any property distributed to a Partner by the Partnership, the Partnership's Carrying Value of such property (as adjusted pursuant to Section 4.5(d)(ii)) at the time such property is distributed, reduced by any indebtedness either assumed by such Partner upon such distribution or to which such property is subject at the time of distribution, in either case, as determined under Section 752 of the Code.

"Net Income" means, for any taxable period, the excess, if any, of the Partnership's items of income and gain (other than those items attributable to dispositions constituting Termination Capital Transactions) for such taxable period over the Partnership's items of loss and deduction (other than those items attributable to dispositions constituting Termination Capital Transactions) for such taxable period. The items included in the calculation of Net Income shall be determined in accordance with Section 4.5(b) and shall not include any items specially allocated under Section 5.1(d). Once an item of income, gain, loss or deduction that has been included in the initial computation of Net Income is subjected to a Required Allocation or a Curative Allocation, Net Income or Net Loss, whichever the case may be, shall be recomputed without regard to such item.

"Net Loss" means, for any taxable period, the excess, if any, of the Partnership's items of loss and deduction (other than those items attributable to dispositions constituting Termination Capital Transactions) for such taxable period over the Partnership's items of income and gain (other than those items attributable to dispositions constituting Termination Capital Transactions) for such taxable period. The items included in the calculation of Net Loss shall be determined in accordance with Section 4.5(b) and shall not include any items specially allocated under Section 5.1(d). Once an item of income, gain, loss or deduction that has been included in the initial computation of Net Loss is subjected to a Required Allocation or a Curative Allocation, Net Income, or Net Loss, whichever the case may be, shall be recomputed without regard to such item.

"Net Termination Gain" means, for any taxable period, the sum, if positive, of all items of income, gain, loss or deduction recognized by the Partnership (including, without limitation, such amounts recognized through an OLP Subsidiary, if applicable) from Termination Capital Transactions occurring in such taxable period. The items included in the determination of Net Termination Gain shall be determined in accordance with Section 4.5(b) and shall not include any items of income, gain or loss specially allocated under Section 5.1(d). Once an item of income, gain or loss that has been included in the initial computation of Net Termination Gain is subjected to a Required Allocation or a Curative Allocation, Net Termination Gain or Net Termination Loss, whichever the case may be, shall be recomputed without regard to such item.

"Net Termination Loss" means, for any taxable period, the sum, if negative, of all items of income, gain, loss or deduction recognized by the Partnership (including, without limitation, such amounts recognized through an OLP Subsidiary, if applicable) from Termination Capital Transactions occurring in such taxable period. The items included in the determination of Net Termination Loss shall be determined in accordance with Section 4.5(b) and shall not include any items of income, gain or loss specially allocated under Section 5.1(d). Once an item of gain or loss that has been included in the initial computation of Net Termination Loss is subjected to a Required Allocation or a Curative Allocation, Net Termination Gain or Net Termination Loss, whichever the case may be, shall be recomputed without regard to such item.

"Nonrecourse Built-in Gain" means with respect to any Contributed Properties or Adjusted Properties that are subject to a mortgage or pledge securing a Nonrecourse Liability, the amount of any taxable gain that would be allocated to the Partners pursuant to Sections 5.2(b)(i)(A), 5.2(b)(ii)(A) or 5.2(b)(iii) if such properties were disposed of in a taxable transaction in full satisfaction of such liabilities and for no other consideration.

"Nonrecourse Deductions" means any and all items of loss, deduction or expenditures (described in Section 705(a)(2)(B) of the Code) that, in accordance with the principles of Treasury Regulation Section 1.704-(2)(b), are attributable to a Nonrecourse Liability.

"Nonrecourse Liability" has the meaning set forth in Treasury Regulation Section 1.752-1(a)(2).

"OLP Offering" means the initial offering of Senior Notes to the public, as described in the OLP Registration Statement.

"OLP Registration Statement" means the Registration Statement on Form S-1 (Registration No. 33-53379), as it has been or as it may be amended or supplemented from time to time, filed by the Partnership and Ferrellgas Finance Corp. with the Securities and Exchange Commission under the Securities Act to register the offering and sale of the Senior Notes in the OLP Offering.

"OLP Subsidiary" means a Subsidiary of the Partnership.

"OLP Underwriting Agreement" means the underwriting agreement dated June 27,1994, among the Partnership, Ferrellgas Finance Corp., the General Partner and the Underwriters named in Schedule A thereto providing for the purchase of Senior Notes by such Underwriters.

"Opinion of Counsel" means a written opinion of counsel (who may be regular counsel to the General Partner, any Affiliate of the General Partner, or the Partnership) acceptable to the General Partner.

"Partners" means the General Partner, the Acquisition General Partner and the Limited Partner.

"Partner Nonrecourse Debt" has the meaning set forth in Treasury Regulation Section 1.704-2(b)(4).

"Partner Nonrecourse Debt Minimum Gain" has the meaning set forth in Treasury Regulation Section 1.704-2(i)(2).

"Partner Nonrecourse Deductions" means any and all items of loss, deduction or expenditure (including, without limitation, any expenditure described in Section 705(a)(2)(B) of the Code) that, in accordance with the principles of Treasury Regulation Section 1.704-2(i), are attributable to a Partner Nonrecourse Debt.

"Partnership" means Ferrellgas, L.P., a Delaware limited partnership, established by the Certificate of Limited Partnership, and any successor thereto.

"Partnership Interest" means the interest of a Partner in the Partnership.

"Partnership Minimum Gain" means that amount determined in accordance with the principles of Treasury Regulation Section 1.704-2(d).

"Percentage Interest" means as of the date of such determination as to any Partner, the percentage determined by dividing the amount of that Partner's cumulative Capital Contributions to the Partnership by the cumulative Capital Contributions of all Partners to the Partnership. As of April 7, 2004, the Percentage Interest of the General Partner, in its capacity as such, is 1.0101%, and the Percentage Interest of the Limited Partner, is 98.9899%.

"Person" means an individual or a corporation, partnership, trust, unincorporated organization, association or other entity.

"Quarter" means, unless the context requires otherwise, a three-month period of time ending on October 31, January 31, April 30, or July 31; provided, however, that the General Partner in its sole discretion may amend such period as it deems necessary or appropriate in connection with a change in the fiscal year of the Partnership.

"Recapture Income" means any gain recognized by the Partnership (computed without regard to any adjustment required by Sections 734 or 743 of the Code) upon the disposition of any property or asset of the Partnership, which gain is characterized as ordinary income because it represents the recapture of deductions previously taken with respect to such property or asset.

"Registration Statements" means the MLP Registration Statement and the OLP Registration Statement.

"Required Allocations" means any allocation (or limitation imposed on any allocation) of an item of income, gain, deduction or loss pursuant to (a) Section 5.1(b)(i) or (b) Sections 5.1(d)(i)-(vi) and (viii), such allocations (or limitations thereon) being directly or indirectly required by the Treasury regulations promulgated under Section 704(b) of the Code.

"Residual Gain" or "Residual Loss" means any item of gain or loss, as the case may be, of the Partnership recognized for federal income tax purposes resulting from a sale, exchange or other disposition of a Contributed Property or Adjusted Property, to the extent such item of gain or loss is not allocated pursuant to Sections 5.2(b)(i)(A) or 5.2(b)(ii)(A), respectively, to eliminate Book-Tax Disparities.

"Restricted Activities" means the retail sale of propane to end users within the continental United States in the manner engaged in by Ferrellgas immediately prior to the Closing Date.

"Securities Act" means the Securities Act of 1933, as amended, supplemented or restated from time to time and any successor to such statute.

"Senior Notes" means, collectively, the $200 million in aggregate principal amount of 10.0% Fixed Rate Senior Notes due 2001 and $50 million in aggregate principal amount of Floating Rate Senior Notes due 2001 to be issued by the Partnership and Ferrellgas Finance Corp. and offered and sold in the OLP Offering.

"Special Approval" means approval by the Audit Committee.

"Subsidiary" means, with respect to any Person, (i) a corporation of which more than 50% of the voting power of shares of Capital Interests entitled (without regard to the occurrence of any contingency) to vote in the election of directors or other governing body of such corporation is owned, directly or indirectly, by such Person, by one or more Subsidiaries of such Person, or a combination thereof, (ii) a partnership (whether general or limited) in which such Person or a Subsidiary of such Person is, at the date of determination, a general or limited partner of such partnership, but only if more than 50% of the Capital Interests of such partnership (considering all of the Capital Interests of the partnership as a single class) is owned or controlled, directly or indirectly, by such Person, by one or more Subsidiaries of such Person, or a combination thereof, or (iii) any other Person (other than a corporation or a partnership) in which such Person, directly or indirectly, at the date of determination, has (x) at least a majority ownership interest or (y) the power to elect or direct the election of a majority of the directors or other governing body of such Person.

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

"Surviving Business Entity" has the meaning assigned to such term in Section 15.2(b).

"Termination Capital Transactions" means any sale, transfer or other disposition of property of the Partnership occurring upon or incident to the liquidation and winding up of the Partnership pursuant to Article XIII.

"Underwriting Agreements" means the MLP Underwriting Agreement and the OLP Underwriting Agreement.

"Unit" has the meaning assigned to such term in this MLP Agreement.

"Unrealized Gain" attributable to any item of Partnership property means, as of any date of determination, the excess, if any, of (a) the fair market value of such property as of such date (as determined under Section 4.5(d)) over (b) the Carrying Value of such property as of such date (prior to any adjustment to be made pursuant to Section 4.5(d) as of such date).

"Unrealized Loss" attributable to any item of Partnership property means, as of any date of determination, the excess, if any, of (a) the Carrying Value of such property as of such date (prior to any adjustment to be made pursuant to Section 4.5(d) as of such date) over (b) the fair market value of such property as of such date (as determined under Section 4.5(d)).

"Withdrawal Opinion of Counsel" has the meaning assigned to such term in Section 12.1(b).

ARTICLE III
PURPOSE

SECTION 3.1 Purpose and Business.

The purpose and nature of this business to be conducted by the Partnership shall be (a) to acquire, manage, and operate the assets described in the Contribution Agreement as being transferred to the Partnership and any similar assets or properties and to engage directly in, or to enter into or form any corporation, limited liability company, partnership, joint venture or other arrangement to engage indirectly in, any type of business or activity engaged in by Ferrellgas immediately prior to the Closing Date and, in connection therewith, to exercise all of the rights and powers conferred upon the Partnership pursuant to the agreements relating to such assets, (b) to engage directly in, or enter into or form any corporation, limited liability company, partnership, joint venture or other arrangement to engage indirectly in, any business activity that is approved by the General Partner and which may lawfully

be conducted by a limited partnership organized pursuant to the Delaware Act and, in connection therewith, to exercise all of the rights and powers conferred upon the Partnership pursuant to the agreements relating to such business activity, and (c) to do anything necessary or appropriate to the foregoing, including, without limitation, the making of capital contributions to any OLP Subsidiary or loans to the MLP, an MLP Subsidiary or an OLP Subsidiary (including, without limitation, those contributions or loans that may be required in connection with its involvement in the activities referred to in clause (b) of this sentence). The General Partner has no obligation or duty to the Partnership or the Limited Partner to propose or approve, and in its sole discretion may decline to propose or approve, the conduct by the Partnership of any business.

SECTION 3.2 Powers.

The Partnership shall be empowered to do any and all acts and things necessary, appropriate, proper, advisable, incidental to or convenient for the furtherance and accomplishment of the purposes and business described in Section 3.1 and for the protection and benefit of the Partnership.

ARTICLE IV
CAPITAL CONTRIBUTIONS

SECTION 4.1 Initial Contributions.

In connection with the formation of the Partnership under the Delaware Act, the General Partner made an initial Capital Contribution to the Partnership in the amount of $10.10 for an interest in the Partnership and was admitted as the general partner of the Partnership, and the Initial Limited Partner made an initial Capital Contribution to the Partnership in the amount of $989.90 for an interest in the Partnership and was admitted as a limited partner of the Partnership.

SECTION 4.2 Contributions by Ferrellgas, the MLP and the Acquisition General Partner.

(a) On the Closing Date, Ferrellgas, as a Capital Contribution, contributed, transferred, conveyed, assigned and delivered to the Partnership the property and other rights described in the Contribution Agreement as being so contributed, transferred, conveyed, assigned and delivered in exchange for (i) the continuation of its general partner interest in the Partnership consisting of a Partnership Interest representing a 1.0101% Percentage Interest, (ii) a limited partner interest in the Partnership, which was contributed, transferred, conveyed, assigned and delivered by the General Partner to the MLP as set forth in the Contribution Agreement, and which, together with the Partnership Interest previously held by the MLP, represents a 98.9899% Percentage Interest in the Partnership, and (iii) the Partnership's assumption of, or taking of assets subject to, certain indebtedness and other liabilities, including, without limitation, the Partnership's assumption of the payment obligations of certain indebtedness of Ferrellgas, all as provided for in the Contribution Agreement.

(b) On the Closing Date, the MLP contributed in respect of its Partnership Interest approximately $255 million out of the net proceeds to the MLP from the issuance of the Common Units pursuant to the MLP Offering.

(c) On the Acquisition Closing Date, FAC, as a Capital Contribution, contributed, transferred, conveyed, assigned and delivered to the Partnership the property and other rights described in an Acquisition Contribution Agreement dated the Acquisition Closing Date as being so contributed, transferred, conveyed, assigned and delivered in exchange for (i) the general partner

interest in the Partnership of the Acquisition General Partner consisting of a Partnership Interest in the amount of $735, and (ii) the Partnership's assumption of, or taking of assets subject to, certain indebtedness and other liabilities, including, without limitation, the Partnership's assumption of the payment obligations of certain indebtedness of FAC, all as provided for in such Acquisition Contribution Agreement. Immediately thereafter, FAC assigned the Partnership Interest of the Acquisition General Partner to Ferrellgas, the general partner interest in the Partnership of Ferrellgas continued thereafter as a Partnership Interest representing a 1.0101 Percentage Interest, and FAC withdrew from the Partnership.

SECTION 4.3 Additional Capital Contributions.

With the consent of the General Partner, the Limited Partner may, but shall not be obligated to, make additional Capital Contributions to the Partnership. Contemporaneously with the making of any such additional Capital Contributions by the Limited Partner, the General Partner may make an additional Capital Contribution to the Partnership in an amount equal to 1.0204% of the additional Capital Contribution then made by the Limited Partner. The General Partner may, at any time and from time to time, make a Capital Contribution to the Partnership so that the General Partner will have a Capital Account equal to no more than 1.0101% of the sum of the Capital Accounts of all Partners. Except as set forth in Section 13.8, the General Partner shall not be obligated to make any additional Capital Contributions to the Partnership.

SECTION 4.4 No Preemptive Rights.

Except as provided in Section 4.3, no Person shall have any preemptive, preferential or other similar right with respect to (a) additional Capital Contributions; (b) issuance or sale of any class or series of Partnership Interests, whether unissued, held in the treasury or hereafter created; (c) issuance of any obligations, evidences of indebtedness or other securities of the Partnership convertible into or exchangeable for, or carrying or accompanied by any rights to receive, purchase or subscribe to, any such Partnership Interests; (d) issuance of any right of subscription to or right to receive, or any warrant or option for the purchase of, any such Partnership Interests; or (e) issuance or sale of any other securities that may be issued or sold by the Partnership.

SECTION 4.5 Capital Accounts.

(a) The Partnership shall maintain for each Partner owning a Partnership Interest a separate Capital Account with respect to such Partnership Interest in accordance with the rules of Treasury Regulation Section 1.704-1 (b)(2)(iv). Such Capital Account shall be increased by (i) the amount of all Capital Contributions made to the Partnership with respect to such Partnership Interest pursuant to this Agreement and (ii) all items of Partnership income and gain (including, without limitation, income and gain exempt from tax) computed in accordance with Section 4.5(b) and allocated with respect to such Partnership Interest pursuant to Section 5.1, and decreased by (x) the amount of cash or the Net Agreed Value of all actual and deemed distributions of cash or property made with respect to such Partnership Interest pursuant to this Agreement and (y) all items of Partnership deduction and loss computed in accordance with Section 4.5(b) and allocated with respect to such Partnership Interest pursuant to Section 5.1.

(b) For purposes of computing the amount of any item of income, gain, loss or deduction to be reflected in the Partners' Capital Accounts, the determination, recognition and classification of any such item shall be the same as its determination, recognition and classification for federal income tax purposes (including, without limitation, any method of depreciation, cost recovery or amortization used for that purpose), provided, that:

(i) Solely for purposes of this Section 4.5, the Partnership shall be treated as owning directly its proportionate share (as determined by the General Partner) of all property owned by any OLP Subsidiary that is classified as a partnership for federal income tax purposes.

(ii) All fees and other expenses incurred by the Partnership to promote the sale of (or to sell) a Partnership Interest that can neither be deducted nor amortized under Section 709 of the Code, if any, shall, for purposes of Capital Account maintenance, be treated as an item of deduction at the time such fees and other expenses are incurred and shall be allocated among the Partners pursuant to Section 5.1.

(iii) Except as otherwise provided in Treasury Regulation Section 1.704-1 (b)(2)(iv)(m), the computation of all items of income, gain, loss and deduction shall be made without regard to any election under Section 754 of the Code which may be made by the Partnership and, as to those items described in Section 705(a)(1)(B) or 705(a)(2)(B) of the Code, without regard to the fact that such items are not includable in gross income or are neither currently deductible nor capitalized for federal income tax purposes.

(iv) Any income, gain or loss attributable to the taxable disposition of any Partnership property shall be determined as if the adjusted basis of such property as of such date of disposition were equal in amount to the Partnership's Carrying Value with respect to such property as of such date.

(v) In accordance with the requirements of Section 704(b) of the Code, any deductions for depreciation, cost recovery or amortization attributable to any Contributed Property shall be determined as if the adjusted basis of such property on the date it was acquired by the Partnership were equal to the Agreed Value of such property. Upon an adjustment pursuant to Section 4.5(d) to the Carrying Value of any Partnership property subject to depreciation, cost recovery or amortization, any further deductions for such depreciation, cost recovery or amortization attributable to such property shall be determined (A) as if the adjusted basis of such property were equal to the Carrying Value of such property immediately following such adjustment and (B) using a rate of depreciation, cost recovery or amortization derived from the same method and useful life (or, if applicable, the remaining useful life) as is applied for federal income tax purposes; provided, however, that, if the asset has a zero adjusted basis for federal income tax purposes, depreciation, cost recovery or amortization deductions shall be determined using any reasonable method that the General Partner may adopt.

(vi) If the Partnership's adjusted basis in a depreciable or cost recovery property is reduced for federal income tax purposes pursuant to Section 48(q)(1) or 48(q)(3) of the Code, the amount of such reduction shall, solely for purposes hereof, be deemed to be an additional depreciation or cost recovery deduction in the year such property is placed in service and shall be allocated among the Partners pursuant to Section 5.1. Any restoration of such basis pursuant to Section 48(q)(2) of the Code shall, to the extent possible, be allocated in the same manner to the Partners to whom such deemed deduction was allocated.

(c) A transferee of a Partnership Interest shall succeed to a pro rata portion of the Capital Account of the transferor relating to the partnership Interest so transferred; provided, however, that, if the transfer causes a termination of the Partnership under Section 708(b)(1)(B) of the Code, the Partnership's properties shall be deemed to have been distributed in liquidation of the Partnership to the Partners (including any transferee of a Partnership Interest that is a party to the transfer causing such termination) pursuant to Sections 13.3 and 13.4 and recontributed by such Partners in reconstitution of the Partnership. Any such deemed distribution shall be treated as an actual distribution for purposes of this Section 4.5. In such event, the Carrying Values of the Partnership properties shall be adjusted immediately prior to such deemed distribution pursuant to Section 4.5(d)(ii) and such Carrying Values shall then constitute the Agreed Values of such properties upon such deemed contribution to the reconstituted Partnership. The Capital Accounts of such reconstituted Partnership shall be maintained in accordance with the principles of this Section 4.5.

(d) (i) Consistent with the provisions of Treasury Regulation Section 1.704-1(b)(2)(iv)(f), on an issuance of additional Partnership Interests for cash or Contributed Property, the Capital Account of all Partners and the Carrying Value of each Partnership property immediately prior to such issuance shall be adjusted upward or downward to reflect any Unrealized Gain or Unrealized Loss attributable to such Partnership property, as if such Unrealized Gain or Unrealized Loss had been recognized on an actual sale of each such property immediately prior to such issuance and had been allocated to the Partners at such time pursuant to Sections 5.1(a) and 5.1(b). In determining such Unrealized Gain or Unrealized Loss, the aggregate cash amount and fair market value of all Partnership assets (including, without limitation, cash or cash equivalents) immediately prior to the issuance of additional Partnership Interests shall be determined by the General Partner using such reasonable method of valuation as it may adopt; provided, however, that the General Partner, in arriving at such valuation, must take fully into account the fair market value of the Partnership Interests of all Partners at such time. The General Partner shall allocate such aggregate value among the assets of the Partnership (in such manner as it determines in its sole discretion to be reasonable) to arrive at a fair market value for individual properties.

(ii) In accordance with Treasury Regulation Section 1.704-1(b)(2)(iv)(f), immediately prior to any actual or deemed distribution to a Partner of any Partnership property (other than a distribution of cash that is not in redemption or retirement of a Partnership Interest), the Capital Accounts of all Partners and the Carrying Value of such Partnership property shall be adjusted upward or downward to reflect any Unrealized Gain or Unrealized Loss attributable to such Partnership property, as if such Unrealized Gain or Unrealized Loss had been recognized in a sale of such property immediately prior to such distribution for an amount equal to its fair market value, and had been allocated to the Partners, at such time, pursuant to Section 5.1. Any Unrealized Gain or Unrealized Loss attributable to such property shall be allocated in the same manner as Net Termination Gain or Net Termination Loss pursuant to Section 5.1(c); provided, however, that, in making any such allocation, Net Termination Gain or Net Termination Loss actually realized shall be allocated first. In determining such Unrealized Gain or Unrealized Loss the aggregate cash amount and fair market value of all Partnership assets, (including, without limitation, cash or cash equivalents) immediately prior to a distribution shall (A) in the case of a deemed distribution occurring as a result of a termination of the Partnership pursuant to Section 708 of the Code, be determined and allocated in the same manner as that provided in Section 4.5(d)(i) or (B) in the case of a liquidating distribution pursuant to Section 14.3 or 14.4, be determined and allocated by the Liquidator using such reasonable method of valuation as it may adopt.

SECTION 4.6 Interest.

No interest shall be paid by the Partnership on Capital Contributions or on balances in Partners' Capital Accounts.

SECTION 4.7 No Withdrawal.

No Partner shall be entitled to withdraw any part of its Capital Contributions or its Capital Account or to receive any distribution from the Partnership, except as provided in Articles V, VII, XII and XIII.

SECTION 4.8 Loans from Partners.

Loans by a Partner to the Partnership shall not constitute Capital Contributions. If any Partner shall advance funds to the Partnership in excess of the amounts required hereunder to be contributed by it to the capital of the Partnership, the making of such excess advances shall not result in any increase in the amount of the Capital Account of such Partner. The amount of any such excess advances shall be a debt obligation of the Partnership to such Partner and shall be payable or collectible only out of the Partnership assets in accordance with the terms and conditions upon which such advances are made.

ARTICLE V
ALLOCATIONS AND DISTRIBUTIONS

SECTION 5.1 Allocations for Capital Account Purposes.

For purposes of maintaining the Capital Accounts and in determining the rights of the Partners among themselves, the Partnership's items of income, gain, loss and deduction (computed in accordance with Section 4.5(b)) shall be allocated among the Partners in each taxable year (or portion thereof) as provided hereinbelow.

(a) Net Income. After giving effect to the special allocations set forth in Section 5.1(d), Net Income for each taxable period and all items of income, gain, loss and deduction taken into account in computing Net Income for such taxable period shall be allocated as follows:

(i) First, 100% to the General Partner until the aggregate Net Income allocated to the General Partner pursuant to this Section 5.1 (a)(i) for the current taxable year and all previous taxable years is equal to the aggregate Net Losses allocated to the General Partner pursuant to Section 5.1 (b)(ii) for all previous taxable years; and

(ii) Second, the balance, if any, 100% to the General Partner and the Limited Partner in accordance with their respective Percentage Interests.

(b) Net Losses. After giving effect to the special allocations set forth in Section 5.1(d), Net Losses for each taxable period and all items of income, gain, loss and deduction taken into account in computing Net Losses for such taxable period shall be allocated as follows:

(i) First, 100% to the General Partner and the Limited Partner in accordance with their respective Percentage Interests; provided, that Net Losses shall not be allocated pursuant to this Section 5.1(b)(i) to the extent that such allocation would cause any Limited Partner to have a deficit balance in its Adjusted Capital. Account at the end of such taxable year (or increase any existing deficit balance in its Adjusted Capital Account); and

(ii) Second, the balance, if any, 100% to the General Partner.

(c) Net Termination Gains and Losses. After giving effect to the special allocations set forth in Section 5.1(d), all items of income, gain, loss and deduction taken into account in computing Net Termination Gain or Net Termination Loss; for such taxable period shall be allocated in the same manner as such Net Termination Gain or Net Termination Loss is allocated hereunder. All allocations under this Section 5.1(c) shall be made after Capital Account balances have been adjusted by all other allocations provided under this Section 5.1(c) after all distributions of Available Cash provided under Section 5.3 have been made with respect to the taxable period ending on the date of the Partnership's liquidation pursuant to Section 13.3.

(i) If a Net Termination Gain is recognized (or deemed recognized pursuant to Section 4.5(d)) from Termination Capital Transactions, such Net Termination Gain shall be allocated between the General Partner and the Limited Partner in the following manner (and the Adjusted Capital Accounts of the Partners shall be increased by the amount so allocated in each of the following subclauses, in the order listed, before an allocation is made pursuant to the next succeeding subclause):

(A) First, to each Partner having a deficit balance in its Adjusted Capital Account, in the proportion that such deficit balance bears to the total deficit balances in the Adjusted Capital Accounts of all Partners, until each such Partner has been allocated Net Termination Gain equal to any such deficit balance in its Adjusted Capital Account; and

(B) Second, 100% to the General Partner and the Limited Partner in accordance with their respective Percentage Interests.

(ii) If a Net Termination Loss is recognized (or deemed recognized pursuant to Section 4.5(d)) from Termination Capital Transactions, such Net Termination Loss shall be allocated to the Partners in the following manner:

(A) First, 100% to the General Partner and the Limited Partner in proportion to, and to the extent of, the positive balances in their respective Adjusted Capital Accounts; and

(B) Second, the balance, if any, 100% to the General Partner.

(d) Special Allocations. Notwithstanding any other provision of this Section 5.1, the following special allocations shall be made for such taxable period:

(i) Partnership Minimum Gain Chargeback. Notwithstanding any other provision of this Section 5.1, if there is a net decrease in Partnership Minimum Gain during any Partnership taxable period, each Partner shall be allocated items of Partnership income and gain for such period (and, if necessary, subsequent periods) in the manner and amounts provided in Treasury Regulation Sections 1.704-2(f)(6), 1.704-2(g)(2) and

1.704-2(j)(2)(i), or any successor provision. For purposes of this Section 5.1(d), each Partner's Adjusted Capital Account balance shall be determined, and the allocation of income or gain required hereunder shall be effected, prior to the application of any other allocations pursuant to this Section 5.1(d) with respect to such taxable period (other than an allocation pursuant to Sections 5.1 (d)(v) and (vi)). This Section 5.1(d)(i) is intended to comply with the Partnership Minimum Gain chargeback requirement in Treasury Regulation Section 1.704-2(f) and shall be interpreted consistently therewith.

(ii) Chargeback of Partner Nonrecourse Debt Minimum Gain. Notwithstanding the other provisions of this Section 5.1 (other than Section 5.1(d) (i)), except as provided in Treasury Regulation Section 1.704-2(i)(4), if there is a net decrease in Partner Nonrecourse Debt Minimum Gain during any Partnership taxable period, any Partner with a share of Partner Nonrecourse Debt Minimum Gain at the beginning of such taxable period shall be allocated items of Partnership income and gain for such period (and, if necessary, subsequent periods) in the manner and amounts provided in Treasury Regulation Sections 1.704-2(i)(4) and 1.704-2(j)(2)(ii), or any successor provisions. For purposes of this Section 5.1(d), each Partner's Adjusted Capital Account balance shall be determined, and the allocation of income or gain required hereunder shall be effected, prior to the application of any other allocations pursuant to this Section 5.1(d), other than Section 5.1(d)(i) and other than an allocation pursuant to Sections 5.1(d)(v) and (vi), with respect to such taxable period. This Section 5.1(d)(ii) is intended to comply with the chargeback of items of income and gain requirement in Treasury Regulation Section 1.7041-2(i)(4) and shall be interpreted consistently therewith.

(iii) Qualified Income Offset. In the event any Partner unexpectedly receives any adjustments, allocations or distributions described in Treasury Regulation Sections 1.704-1(b)(2)(ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5), or 1.704-1(b)(2)(ii)(d)(6), items of Partnership income and gain shall be specifically allocated to such Partner in an amount and manner sufficient to eliminate, to the extent required by the Treasury Regulations promulgated under Section 704(b) of the Code, the deficit balance, if any, in its Adjusted Capital Account created by such adjustments, allocations or distributions as quickly as possible, unless such deficit balance is otherwise eliminated pursuant to Section 5.1(d)(i) or (ii).

(iv) Gross Income Allocations. In the event any Partner has a deficit balance in its Adjusted Capital Account at the end of any Partnership taxable period such Partner shall be specially allocated items of Partnership gross income and gain in the amount of such excess as quickly as possible; provided, that an allocation pursuant to this Section 5.1(d)(iv) shall be made only if and to the extent that such Partner would have a deficit balance in its Adjusted Capital Account after all other allocations provided in this Section 5.1 have been tentatively made as if this Section 5.1(d)(iv) were not in this Agreement.

(v) Nonrecourse Deductions. Nonrecourse Deductions for any taxable period shall be allocated to the Partners in accordance with their respective Percentage Interests. If the General Partner determines in its good faith discretion that the Partnership's Nonrecourse Deductions must be allocated in a different ratio to satisfy the safe harbor requirements of the Treasury Regulations promulgated under Section 704(b) of the Code, the General Partner is authorized, upon notice to the Limited Partner, to revise the prescribed ratio to the numerically closest ratio that does satisfy such requirements.

(vi) Partner Nonrecourse Deductions. Partner Nonrecourse Deductions for any taxable period shall be allocated 100% to the Partner that bears the Economic Risk of Loss with respect to the Partner Nonrecourse Debt to which such Partner Nonrecourse Deductions are attributable in accordance

with Treasury Regulation Section 1.704-2(i). If more than one Partner bears the Economic Risk of Loss with respect to a Partner Nonrecourse Debt, such Partner Nonrecourse Deductions attributable thereto shall be allocated between or among such Partners in accordance with the ratios in which they share such Economic Risk of Loss.

(vii) Nonrecourse Liabilities. For purposes of Treasury Regulation Section 1.752-3(a)(3), the Partners agree that Nonrecourse Liabilities of the Partnership in excess of the sum of (A) the amount of Partnership Minimum Gain and (B) the total amount of Nonrecourse Built-in Gain shall be allocated among the Partners in accordance with their respective Percentage Interests.

(viii) Code Section 754 Adjustments. To the extent an adjustment to the adjusted tax basis of any Partnership asset pursuant to Section 734(b) or 743(b) of the Code is required, pursuant to Treasury Regulation Section 1.704-1 (b)(2)(iv)(m), to be taken into account in determining Capital Accounts, the amount of such adjustment to the Capital Accounts shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis), and such item of gain or loss shall be specially allocated to the Partners in a manner consistent with the manner in which their Capital Accounts are required to be adjusted pursuant to such Section of the Treasury Regulations.

(ix) Curative Allocation.

(A) Notwithstanding any other provision of this Section 5.1, other than the Required Allocations, the Required Allocations shall be taken into account in making the Agreed Allocations so that, to the extent possible, the net amount of items of income, gain, loss and deduction allocated to each Partner pursuant to the Required Allocations and the Agreed Allocations, together, shall be equal to the net amount of such items that would have been allocated to each such Partner under the Agreed Allocations had the Required Allocations and the related Curative Allocation not otherwise been provided in this Section 5.1. Notwithstanding the preceding sentence, Required Allocations relating to (1) Nonrecourse Deductions shall not be taken, into account except to the extent that there has been a decrease in Partnership Minimum Gain and (2) Partner Nonrecourse Deductions shall not be taken into account except to the extent that there has been a decrease in Partner Nonrecourse Debt Minimum Gain. Allocations pursuant to this Section 5.1(d)(ix)(A) shall only be made with respect to Required Allocations to the extent the General Partner reasonably determines that such allocations will otherwise be inconsistent with the economic agreement among the Partners. Further, allocations pursuant to this Section 5.1(d)(ix)(A) shall be deferred with respect to allocations pursuant to clauses (1) and (2) hereof to the extent the General Partner reasonably determines that such allocations are likely to be offset by subsequent Required Allocations.

(B) The General Partner shall have reasonable discretion, with respect to each taxable period, to (1) apply the provisions of Section 5.1(d)(ix)(A) in whatever order is most likely to minimize the economic distortions that might otherwise result from the Required Allocations, and (2) divide all allocations pursuant to Section 5.1(d)(ix)(A) among the Partners in a manner that is likely to minimize such economic distortions.

(e) Allocations to Acquisition General Partner. Notwithstanding any other provision of this Section 5.1, no items of income, gain, loss or deduction shall be allocated to the Acquisition General Partner.

SECTION 5.2 Allocations for Tax Purposes.

(a) Except as otherwise provided herein, for federal income tax purposes, each item of income, gain, loss and deduction shall be allocated among the Partners in the same manner as its correlative item of "book" income, gain, loss or deduction is allocated pursuant to Section 5.1.

(b) In an attempt to eliminate Book-Tax Disparities attributable to a Contributed Property or Adjusted Property, items of income, gain, loss, depreciation, amortization and cost recovery deductions shall be allocated for federal income tax purposes among the Partners as follows:

(i) (A) In the case of a Contributed Property, such items attributable thereto shall be allocated among the Partners in the manner provided under Section 704(c) of the Code that takes into account the variation between the Agreed Value of such property and its adjusted basis at the time of contribution; and (B) except as otherwise provided in Section 5.2(b)i(iii), any item of Residual Gain or Residual Loss attributable to a Contributed Property shall be allocated among the Partners in the same manner as its correlative item of "book" gain or loss is allocated pursuant to Section 5.1.

(ii) (A) In the case of an Adjusted Property, such items shall (1) first, be allocated among the Partners in a manner consistent with the principles of Section 704(c) of the Code to take into account the Unrealized Gain or Unrealized Loss attributable to such property and the allocations thereof pursuant to Section 4.5(d)(i) or (ii), and (2) second, in the event such property was originally a Contributed Property, be allocated among the Partners in a manner consistent with Section 5.2(b)(i)(A); and (B) except as otherwise provided in Section 5.2(b)(iii), any item of Residual Gain or Residual Loss attributable to an Adjusted Property shall be allocated among the Partners in the same manner as its correlative item of "book" gain or loss is allocated pursuant to Section 5.1.

(iii) The General Partner shall apply the principles of Temporary Regulation Section 1.704-3T to eliminate Book-Tax Disparities.

(c) For the proper administration of the Partnership and for the preservation of uniformity of Units of the MLP (or any class or classes thereof), the General Partner shall have sole discretion to (i) adopt such conventions as it deems appropriate in determining the amount of depreciation, amortization and cost recovery deductions; (ii) make special allocations for federal income tax purposes of income (including, without limitation, gross income) or deductions; and (iii) amend the provisions of this Agreement as appropriate (x) to reflect the proposal or promulgation of Treasury Regulations under Section 704(b) or Section 704(c) of the Code or (y) otherwise to preserve or achieve uniformity of Units of the MLP (or any class or classes thereof). The General Partner may adopt such conventions, make such allocations and make such amendments to this Agreement as provided in this Section 5.2(c) only if such conventions, allocations or amendments would not have a material adverse effect on the Partners, the holders of any class or classes of Units of the MLP issued and outstanding or the Partnership, and if such allocations are consistent with the principles of Section 704 of the Code.

(d) The General Partner in its sole discretion may determine to depreciate or amortize the portion of an adjustment under Section 743(b) of the Code attributable to unrealized appreciation in any Adjusted Property (to the extent of the unamortized Book-Tax Disparity) using a predetermined rate derived from the depreciation or amortization method and useful life applied to the Partnership's common basis of such property, despite the inconsistency of such approach with Proposed Treasury Regulation Section 1.168-2(n), Treasury Regulation Section 1.167(c)-1(a)(6) or the legislative history of Section 197 of the Code. If the General Partner determines that such reporting position cannot reasonably be taken, the General Partner may adopt depreciation and amortization conventions under which all purchasers acquiring Units of the MLP in the same month would receive depreciation and amortization deductions, based upon the same applicable rate as if they had purchased a direct interest in the Partnership's property. If the General Partner chooses not to utilize such aggregate method, the General Partner may use any other reasonable depreciation and amortization conventions to preserve the uniformity of the intrinsic tax characteristics of any class or classes of Units of the MLP that would not have a material adverse effect on the Limited Partner or the holders of any class or classes of Units of the MLP.

(e) Any gain allocated to the Partners upon the sale or other taxable disposition of any Partnership asset shall, to the extent possible, after taking into account other required allocations of gain pursuant to this Section 5.2, be characterized as Recapture Income in the same proportions and to the same extent as such Partners (or their predecessors in interest) have been allocated any deductions directly or indirectly giving rise to the treatment of such gains as Recapture Income.

(f) All items of income, gain, loss, deduction and credit recognized by the Partnership for federal income tax purposes and allocated to the Partners in accordance with the provisions hereof shall be determined without regard to any election under Section 754 of the Code which may be made by the Partnership; provided, however, that such allocations, once made, shall be adjusted as necessary or appropriate to take into account those adjustments permitted or required by Sections 734 and 743 of the Code.

(g) The General Partner may adopt such methods of allocation of income, gain, loss or deduction between a transferor and a transferee of a Partnership Interest as it determines necessary, to the extent permitted or required by Section 706 of the Code and the regulations or rulings promulgated thereunder.

SECTION 5.3 Requirement of Distributions.

(a) Within 45 days following the end of (i) the period beginning on the Closing Date and ending on October 31, 1994 and (ii) each Quarter commencing with the Quarter beginning on November 1, 1994, an amount equal to 100% of Available Cash with respect to such period or Quarter shall be distributed in accordance with this Article V by the Partnership to the Partners in accordance with their respective Percentage Interests. The immediately preceding sentence shall not require any distribution of cash if and to the extent such distribution would be prohibited by applicable law or by any loan agreement, security agreement, mortgage, debt instrument or other agreement or obligation to which the Partnership is a party or by which it is bound or its assets are subject.

(b) Notwithstanding the foregoing, in the event of the dissolution and liquidation of the Partnership, all proceeds of such liquidation shall be applied and distributed in accordance with, and subject to the terms and conditions of, Sections 13.3 and 13.4.

ARTICLE VI
MANAGEMENT AND OPERATION OF BUSINESS

SECTION 6.1 Management.

(a) The General Partner shall conduct, direct and manage all activities of the Partnership. Except as otherwise expressly provided in this Agreement, all management powers over the business and affairs of the Partnership shall be exclusively vested in the General Partner, and neither the Acquisition General Partner nor the Limited Partner shall have any right of control or management power over the business and affairs of the Partnership. In addition to the powers now or hereafter granted a general partner of a limited partnership under applicable law or which are granted to the General Partner under any other provision of this Agreement, the General Partner, subject to Section 6.3, shall have full power and authority to do all things and on such terms as it, in its sole discretion, may deem necessary or appropriate to conduct the business of the Partnership, to exercise all powers set forth in Section 3.2 and to effectuate the purposes set forth in Section 3.1, including, without limitation, (i) the making of any expenditures, the lending or borrowing of money, the assumption or guarantee of, or other contracting for, indebtedness and other liabilities, the issuance of evidences of indebtedness and the incurring of any other obligations; (ii) the making of tax, regulatory and other filings, or rendering of periodic or other reports to governmental or other agencies having jurisdiction over the business or assets of the Partnership; (iii) the acquisition, disposition, mortgage, pledge, encumbrance, hypothecation or exchange of any or all of the assets of the Partnership or the merger or other combination of the Partnership with or into another Person (the matters described in this clause (iii) being subject, however, to any prior approval that may be required by Section 6.3); (iv) the use of the assets of the Partnership (including, without limitation, cash on hand) for any purpose consistent with the terms of this Agreement, including, without limitation, the financing of the conduct of the operations of the Partnership, the lending of funds to other Persons (including, without limitation, an OLP Subsidiary), the repayment of obligations of the Partnership and the making of capital contributions to an OLP Subsidiary; (v) the negotiation, execution and performance of any contracts, conveyances or other instruments (including, without limitation, instruments that limit the liability of the Partnership under contractual arrangements to all or particular assets of the Partnership, with the other party to the contract to have no recourse against the General Partner or its assets other than its interest in the Partnership, even if same results in the terms of the transaction being less favorable to the Partnership than would otherwise be the case); (vi) the distribution of Partnership cash; (vii) the selection and dismissal of employees and agents (including, without limitation, employees having titles such as "president," "vice president," "secretary" and "treasurer") and agents, outside attorneys, accountants, consultants and contractors and the determination of their compensation and other terms of employment or hiring; (viii) the maintenance of such insurance for the benefit of the Partnership and the Partners (including, without limitation, the assets of the Partnership) as it deems necessary or appropriate; (ix) the formation of, or acquisition of an interest in, and the contribution of property and the making of loans to, any further limited or general partnerships, joint ventures, corporations, limited liability companies or other relationships; (x) the control of any matters affecting the rights and obligations of the Partnership, including, without limitation, the bringing and defending of actions at law or in equity and otherwise engaging in the conduct of litigation and the incurring of legal expense and the settlement of claims and litigation; and (xi) the indemnification of any Person against liabilities and contingencies to the extent permitted by law.

(b) Notwithstanding any other provision of this Agreement, the MLP Agreement, the Delaware Act or any applicable law, rule or regulation, each of the Partners hereby (i) approves, ratifies and confirms the execution, delivery and performance by the parties thereto of the MLP Agreement, the Underwriting Agreements, the Contribution Agreement, the agreements and other documents filed as exhibits to the Registration Statements, and the other agreements described in or filed as a part of the Registration Statements, and the engaging by any Affiliate of the General Partner in business and activities (other than Restricted Activities) that are in direct competition with the business and activities of the MLP, the Partnership, any OLP Subsidiary and any MLP Subsidiary; (ii) agrees that the General Partner (on its own or through any officer of the Partnership) is authorized to execute, deliver and perform the agreements referred to in clause (i) of this sentence and the other agreements, acts, transactions and matters described in the Registration Statements on behalf of the Partnership without any further act, approval or vote of the Partners; and (iii) agrees that the execution, delivery or performance by the General Partner, the MLP, the Partnership or any Affiliate of any of them of this Agreement or any agreement authorized or permitted under this Agreement, or the engaging by any Affiliate of the General Partner in any business and activities (other than Restricted Activities) that are in direct competition with the business and activities of the MLP, the Partnership, any OLP Subsidiary and any MLP Subsidiary, shall not constitute a breach by the General Partner of any duty that the General Partner may owe the Partnership or the Limited Partners or any other Persons under this Agreement (or any other agreements) or of any duty stated or implied by law or equity. The term "Affiliate" when used in this Section 6.1(b) with respect to the General Partner shall not include the Partnership, the MLP, any OLP Subsidiary or any MLP Subsidiary.

(c) Notwithstanding any provision of the Delaware Act or other applicable law, the Acquisition General Partner shall not participate in the operation, management or control (within the meaning of the Delaware Act) of the Partnership's business, transact any business in the partnership's name or have the power to sign documents for other otherwise bind the Partnership.

SECTION 6.2 Certificate of Limited Partnership.

The General Partner has caused the Certificate of Limited Partnership of Ferrellgas, L.P. to be filed with the Secretary of State of the State of Delaware as required by the Delaware Act and shall use all reasonable efforts to cause to be filed such other certificates or documents as may be determined by the General Partner in its sole discretion to be reasonable and necessary or appropriate for the formation, continuation, qualification and operation of a limited partnership (or a partnership in which the Limited Partner has limited liability) in the State of Delaware or any other state in which the Partnership may elect to do business or own property. To the extent that such action is determined by the General Partner in its sole discretion to be reasonable and necessary or appropriate, the General Partner shall file amendments to and restatements of the Certificate of Limited Partnership and do all things to maintain the Partnership as a limited partnership (or a partnership in which the Limited Partner has limited liability) under the laws of the State of Delaware or of any other state in which the Partnership may elect to do business or own property. Subject to the terms of Section 7.4(a), the General Partner shall not be required, before or after filing, to deliver or mail a copy of the Certificate of Limited Partnership, any qualification document or any amendment thereto to the Limited Partner.

SECTION 6.3 Restrictions on General Partner's Authority.

(a) The General Partner may not, without written approval of the specific act by the Limited Partner or by other written instrument executed and delivered by the Limited Partner subsequent to the date of this Agreement, take any action in contravention of this Agreement, including, without limitation, (i) any act that would make it impossible to carry on the ordinary business of the Partnership, except as otherwise provided in this Agreement; (ii) possess Partnership property, or assign any rights in specific Partnership property, for other than a Partnership purpose; (iii) admit a Person as a Partner, except as otherwise provided in this Agreement; (iv) amend this Agreement in any manner, except as otherwise provided in this Agreement; or (v) transfer its interest as general partner of the Partnership, except as otherwise provided in this Agreement.

(b) Except as provided in Articles XIII and XV, the General Partner may not sell, exchange or otherwise dispose of all or substantially all of the Partnership's assets in a single transaction or a series of related transactions without the approval of the Limited Partner; provided, however, that this provision shall not preclude or limit the General Partner's ability to mortgage, pledge, hypothecate or grant a security interest in all or substantially all of the Partnership's assets and shall not apply to any forced sale of any or all of the Partnership's assets pursuant to the foreclosure of, or other realization upon, any such encumbrance.

(c) Unless approved by the Limited Partner, the General Partner shall not take any action or refuse to take any reasonable action the effect of which, if taken or not taken, as the case may be, would be to cause the Partnership to be treated as an association taxable as a corporation or otherwise to be taxed as an entity for federal income tax purposes; provided that this Section 6.3(c) shall not be construed to apply to amendments to this Agreement (which are governed by Article XIV) or mergers or consolidations of the Partnership with any Person (which are governed by Article XV).

(d) At all times while serving as the general partner of the Partnership, the General Partner shall not (except as provided below) make any dividend or distribution on, or repurchase any shares of, its stock or take any other action within its control unless it shall first receive an Opinion of Counsel that the effect of such dividend, distribution, repurchase or other action would not reduce its net worth below an amount such that the Partnership will be treated as an association taxable as a corporation for federal income tax purposes; provided, however, to the extent the General Partner receives distributions of cash from the Partnership or any other partnership of which the Partnership is, directly or indirectly, a partner, the General Partner shall not use such cash to make any dividend or distribution on, or repurchase any shares of, its stock or take any other action within its control if the effect of such dividend, distribution, repurchase or other action would be to reduce its net worth below an amount necessary to receive an Opinion of Counsel that the Partnership will be treated as a partnership for federal income tax purposes.

SECTION 6.4 Reimbursement of the General Partner.

(a) Except as provided in this Section 6.4 and elsewhere in this Agreement, the General Partner shall not be compensated for its services as general partner of the Partnership.

(b) The General Partner shall be reimbursed on a monthly basis, or such other basis as the General Partner may determine in its sole discretion, for (i) all direct and indirect expenses it incurs or payments it makes on behalf of the Partnership (including, without limitation, salary, bonus, incentive compensation and other amounts paid to any Person to perform services for the Partnership or for the General Partner in the discharge of its duties to the Partnership) and (ii), all other necessary or appropriate expenses allocable to the Partnership or otherwise reasonably incurred by the General Partner in connection with operating the Partnership's business (including, without limitation, expenses allocated to the General Partner by its Affiliates). The General Partner shall determine the fees and expenses that are allocable to the Partnership in any reasonable manner determined by the General Partner in its sole discretion. Reimbursements pursuant to this Section 6.4 shall be in addition to any reimbursement to the General Partner as a result of indemnification pursuant to Section 6.7.

SECTION 6.5 Outside Activities.

(a) After the Closing Date, the General Partner, for so long as it is the general partner of the Partnership, (i) agrees that its sole business will be to act as the general partner of the Partnership, the MLP, any OLP Subsidiary and any MLP Subsidiary and to undertake activities that are ancillary or related thereto (including being a limited partner in the MLP), (ii) shall not enter into or conduct any business or incur any debts or liabilities except in connection with or incidental to (A) its performance of the activities required or authorized by this Agreement or the MLP Agreement or described in or contemplated by the Registration Statements and (B) the acquisition, ownership or disposition of partnership interests in the Partnership, the MLP, any OLP Subsidiary and any MLP Subsidiary, except that, notwithstanding the foregoing, employees of the General Partner may perform services for Ferrell and its Affiliates and (iii) shall not and shall cause its Affiliates not to engage in any Restricted Activities.

(b) Except as described or provided for in the MLP Agreement, the Registration Statements or Section 6.5(a), no Indemnitee shall be expressly or implicitly restricted or proscribed pursuant to the MLP Agreement or this Agreement or the partnership relationship established hereby or thereby from engaging in other activities for profit, whether in the businesses engaged in by the Partnership, an OLP Subsidiary, the MLP or an MLP Subsidiary or anticipated to be engaged in by the Partnership, an OLP Subsidiary, the MLP, an MLP Subsidiary or otherwise, including, without limitation, in the case of any Affiliates of the General Partner those businesses and activities (other than Restricted Activities) in direct competition with the business and activities of the Partnership, the MLP, an OLP Subsidiary or an MLP Subsidiary or otherwise described in or contemplated by the Registration Statements. Without limitation of and subject to the foregoing each Indemnitee (other than the General Partner) shall have the right to engage in businesses of every type and description and to engage in and possess an interest in other business ventures of any and every type or description, independently or with others, including, without limitation, in the case of any Affiliates of the General Partner, business interests and activities (other than Restricted Activities) in direct competition with the business and activities of the Partnership, the MLP, an OLP Subsidiary or an MLP Subsidiary, and none of the same shall constitute a breach of this Agreement or any duty to the Partnership, the MLP or any Partners. Neither the Partnership, the MLP, any Limited Partner nor any other Person shall have any rights by virtue of this Agreement or the MLP Agreement or the partnership relationship established hereby or thereby in any business ventures of any Indemnitee (subject, in the case of the General Partner, to compliance with Section 6.5(c)) and such Indemnitees shall have no obligation to offer any interest in any such business ventures to the Partnership, the MLP, any Limited Partner or any other Person.

(c) Subject to the terms of Sections 6.5(a) and (b) but otherwise notwithstanding anything to the contrary in this Agreement, (i) the competitive activities of any Indemnitees (other than the General Partner) are hereby approved by the Partnership and all Partners and (ii) it shall be deemed not to be a breach of the General Partner's fiduciary duty or any other Obligation of any type whatsoever of the General Partner for the General Partner to permit an Affiliate of the General Partner to engage, or for any such Affiliate to engage, in business interests or activities (other than Restricted Activities) in preference to or to the exclusion of the Partnership.

(d) The term "Affiliates" when used in this Section 6.5 with respect to the General Partner shall not include the Partnership, the MLP, an OLP Subsidiary or an MLP Subsidiary.

SECTION 6.6 Loans to and from the General Partner; Contracts with Affiliates.

(a) (i) The General Partner, the Limited Partner, an OLP Subsidiary or any of their Affiliates may lend to the Partnership, and the Partnership may borrow, funds needed or desired by the Partnership for such periods of time as the General Partner may determine and (ii) the General Partner, the Limited Partner, an OLP Subsidiary or any Affiliate thereof may borrow from the Partnership, and the Partnership may lend to such Persons, excess funds of the Partnership for such periods of time and in such amounts as the General Partner may determine; provided, however, that in either such case the lending party may not charge the borrowing party interest at a rate greater than the rate that would be charged the borrowing party (without reference to the lending party's financial abilities or guarantees) by unrelated lenders on comparable loans. The borrowing party shall reimburse the lending party for any costs (other than any additional interest costs) incurred by the lending party in connection with the borrowing of such funds. For purposes of this Section 6.6(a) and Section 6.6(b), the term "Partnership" shall include any Affiliate of the Partnership that is controlled by the Partnership.

(ii) The General Partner may itself, or may enter into an agreement with any of its Affiliates to, render services to the Partnership or to the General Partner in the discharge of its duties as general partner of the Partnership. Any service rendered to the Partnership by the General Partner or any of its Affiliates shall be on terms that are fair and reasonable to the Partnership; provided, however, that the requirements of this Section 6.6(b) shall be deemed satisfied as to (i) any transaction approved by Special Approval, (ii) any transaction the terms of which are no less favorable to the Partnership than those generally being provided to or available from unrelated third parties or (iii) any transaction that, taking into account the totality of the relationships between the parties involved (including other transactions that may be particularly favorable or advantageous to the Partnership), is equitable to the Partnership. The provisions of Section 6.4 shall apply to the rendering of services described in this Section 6.6(b).

(b) The Partnership may transfer assets to joint ventures, other partnerships, corporations, limited liability companies or other business entities in which it is or thereby becomes a participant upon such terms and subject to such conditions as are consistent with this Agreement and applicable law.

(c) Neither the General Partner nor any of its Affiliates shall sell, transfer or convey any property to, or purchase any property from, the Partnership, directly or indirectly, except pursuant to transactions that are fair and reasonable to the Partnership; provided, however, that the requirements of this Section 6.6(d) shall be deemed to be satisfied as to (i) the transactions effected pursuant to Sections 4.2, the Contribution Agreement and any other transactions described in or contemplated by the Registration Statements, (ii) any transaction approved by Special Approval, (iii) any transaction the terms of which are no less favorable to the Partnership than those generally being provided to or available from unrelated third parties or (iv) any transaction that, taking into account the totality of the relationships between the parties involved (including other transactions that may be particularly favorable or advantageous to the Partnership), is equitable to the Partnership.

(d) The General Partner and its Affiliates will have no obligation to permit the Partnership, an OLP Subsidiary or the MLP to use any facilities or assets of the General Partner and its Affiliates, except as may be provided in contracts entered into from time to time specifically dealing with such use, nor shall there be any obligation on the part of the General Partner or its Affiliates to enter into such contracts.

(e) Without limitation of Sections 6.6(a) through 6.6(e), and notwithstanding anything to the contrary in this Agreement, the existence of the conflicts of interest described in the Registration Statements are hereby approved by all Partners.

SECTION 6.7 Indemnification.

(a) To the fullest extent permitted by law but subject to the limitations expressly provided in this Agreement, the General Partner, any Departing Partner, any Person who is or was an officer or director of the Partnership, the General Partner, or any Departing Partner and all other Indemnitees shall be indemnified and held harmless by the Partnership from and against any and all losses, claims, damages, liabilities, joint or several, expenses (including, without limitation, legal fees and expenses), judgments, fines, penalties, interest, settlements and other amounts arising from any and all claims, demands, actions, suits or proceedings, whether civil, criminal, administrative or investigative, in which any Indemnitee may be involved, or is threatened to be involved, as a party or otherwise, by reason of its status as (i) the General Partner, a Departing Partner or any of their Affiliates, (ii) an officer, director, employee, partner, agent or trustee of the Partnership, the General Partner, any Departing Partner or any of their Affiliates or (iii) a Person serving at the request of the Partnership in another entity in a similar capacity, provided, that in each case the Indemnitee acted in good faith and in a manner which such Indemnitee reasonably believed to be in, or not opposed to, the best interests of the Partnership and, with respect to any criminal proceeding, had no reasonable cause to believe its conduct was unlawful; provided, further, no indemnification pursuant to this Section 6.7 shall be available to the General Partner with respect to its obligations incurred pursuant to the Contribution Agreement (other than obligations incurred by the General Partner on behalf of the Partnership or the MLP). The termination of any action, suit or proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere, or its equivalent, shall not create a presumption that the Indemnitee acted in a manner contrary to that specified above. Any indemnification pursuant to this Section 6.7 shall be made only out of the assets of the Partnership, it being agreed that the General Partner shall not be personally liable for such indemnification and shall have no obligation to contribute or loan any monies or property to the Partnership to enable it to effectuate such indemnification.

(b) To the fullest extent permitted by law, expenses (including, without limitation, legal fees and expenses) incurred by an Indemnitee who is indemnified pursuant to Section 6.7(a) in defending any claim, demand, action, suit or proceeding shall, from time to time, be advanced by the Partnership prior to the final disposition of such claim, demand, action, suit or proceeding upon receipt by the Partnership of an undertaking by or on behalf of the Indemnitee to repay such amount if it shall be determined that the Indemnitee is not entitled to be indemnified as authorized in this Section 6.7.

(c) The indemnification provided by this Section 6.7 shall be in addition to any other rights to which an Indemnitee may be entitled under any agreement, pursuant to any vote of the Partners, as a matter of law or otherwise, both as to actions in the Indemnitee's capacity as (i) the General Partner, a Departing Partner or an Affiliate thereof, (ii) an officer, director, employee, partner, agent or trustee of the Partnership, the General Partner, any Departing Partner or an Affiliate thereof or (iii) a Person serving at the request of the Partnership in another entity in a similar capacity, and as to actions in any other capacity (including, without limitation, any capacity under the Underwriting Agreements), and shall continue as to an Indemnitee who has ceased to serve in such capacity and shall inure to the benefit of the heirs, successors, assigns and administrators of the Indemnitee.

(d) The Partnership may purchase and maintain (or reimburse the General Partner or its Affiliates for the cost of) insurance, on behalf of the General Partner and such other Persons as the General Partner shall determine, against any liability that may be asserted against or expense that may be incurred by such Person in connection with the Partnership's activities, regardless of whether the Partnership would have the power to indemnify such Person against such liability under the provisions of this Agreement.

(e) For purposes of this Section 6.7, the Partnership shall be deemed to have requested an Indemnitee to serve as fiduciary of an employee benefit plan whenever the performance by it of its duties to the Partnership also imposes duties on, or otherwise involves services by, it to the plan or participants or beneficiaries of the plan; excise taxes assessed on an Indemnitee with respect to an employee benefit plan pursuant to applicable law shall constitute "fines" within the meaning of Section 6.7(a); and action taken or omitted by it with respect to an employee benefit plan in the performance of its duties for a purpose reasonably believed by it to be in the interest of the participants and beneficiaries of the plan shall be deemed to be for a purpose which is in, or not opposed to, the best interests of the Partnership.

(f) In no event may an Indemnitee subject the Limited Partner to personal liability by reason of the indemnification provisions set forth in this Agreement.

(g) An Indemnitee shall not be denied indemnification in whole or in part under this Section 6.7 because the Indemnitee had an interest in the transaction with respect to which the indemnification applies if the transaction was otherwise permitted by the terms of this Agreement.

(h) The provisions of this Section 6.7 are for the benefit of the Indemnitees, their heirs, successors, assigns and administrators and shall not be deemed to create any rights for the benefit of any other Persons.

(i) No amendment, modification or repeal of this Section 6.7 or any provision hereof shall in any manner terminate, reduce or impair the right of any past, present or future Indemnitee to be indemnified by the Partnership, nor the obligation of the Partnership to indemnify any such Indemnitee under and in accordance with the provisions of this Section 6.7 as in effect immediately prior to such amendment, modification or repeal with respect to claims arising from or relating to matters occurring, in whole or in part, prior to such amendment, modification or repeal, regardless of when such claims may arise or be asserted.

SECTION 6.8 Liability of Indemnitees.

(a) Notwithstanding anything to the contrary set forth in this Agreement, no Indemnitee shall be liable for monetary damages to the Partnership, the Limited Partner, or any other Persons who have acquired interests in the Partnership, for losses sustained or liabilities incurred as a result of any act or omission if such Indemnitee acted in good faith.

(b) Subject to its obligations and duties as General Partner set forth in Section 6.1 (a), the General Partner may exercise any of the powers granted to it by this Agreement and perform any of the duties imposed upon it hereunder either directly or by or through its agents, and the General Partner shall not be responsible for any misconduct or negligence on the part of any such agent appointed by the General Partner in good faith.

(c) Any amendment, modification or repeal of this Section 6.8 or any provision hereof shall be prospective only and shall not in any way affect the limitations on the liability to the Partnership and the Limited Partner of the General Partner, its directors, officers and employees and any other Indemnitees under this Section 6.8 as in effect immediately prior to such amendment, modification or repeal with respect to claims arising from or relating to matters occurring, in whole or in part, prior to such amendment, modification or repeal, regardless of when such claims may arise or be asserted.

SECTION 6.9 Resolution of Conflicts of Interest.

(a) Unless otherwise expressly provided in this Agreement or the MLP Agreement, whenever a potential conflict of interest exists or arises between the General Partner or any of its Affiliates, on the one hand, and the Partnership, the MLP or the Limited Partner, on the other hand, any resolution or course of action in respect of such conflict of interest shall be permitted and deemed approved by the Limited Partner, and shall not constitute a breach of this Agreement, of the MLP Agreement or of any agreement contemplated herein or therein, or of any duty stated or implied by law or equity, if the resolution or course of action is, or by operation of this Agreement is deemed to be, fair and reasonable to the Partnership. The General Partner shall be authorized but not required in connection with its resolution of such conflict of interest to seek Special Approval of a resolution of such conflict or course of action. Any conflict of interest and any resolution of such conflict of interest shall be conclusively deemed fair and reasonable to the Partnership if such conflict of interest or resolution is (i) approved by Special Approval, (ii) on terms no less favorable to the Partnership than those generally being provided to or available from unrelated third parties or (iii) fair to the Partnership, taking into account the totality of the relationships between the parties involved (including other transactions that may be particularly favorable or advantageous to the Partnership). The General Partner may also adopt a resolution or course of action that has not received Special Approval. The General Partner (including the Audit Committee in connection with Special Approval) shall be authorized in connection with its determination of what is "fair and reasonable" to the Partnership and in connection with its resolution of any conflict of interest to consider (A) the relative interests of any party to such conflict, agreement, transaction or situation and the benefits and burdens relating to such interest; (B) any customary or accepted industry practices and any customary or historical dealings with a particular Person; (C) any applicable generally accepted accounting or engineering practices or principles; and (D) such additional factors as the General Partner (including such Audit Committee) determines in its sole discretion to be relevant, reasonable or appropriate under the circumstances. Nothing contained in this Agreement, however, is intended to nor shall it be construed to require the General Partner (including such Audit Committee) to consider the interests of any Person other than the Partnership. In the absence of bad faith by the General Partner, the resolution, action or terms so made, taken or provided by the General Partner with respect to such matter shall not constitute a breach of this Agreement, the MLP Agreement or any other agreement contemplated herein or a breach of any standard of care or duty imposed herein or therein or under the Delaware Act or any other law, rule or regulation.

(b) Whenever this Agreement or any other agreement contemplated hereby provides that the General Partner or any of its Affiliates is permitted or required to make a decision (i) in its "sole discretion" or "discretion," that it deems "necessary or appropriate" or under a grant of similar authority or latitude, the General Partner or such Affiliate shall be entitled to consider only such interests and factors as it desires and shall have no duty or obligation to give any consideration to any interest of, or factors affecting, the Partnership, the MLP, an OLP Subsidiary, the Limited Partner or any limited partner in the MLP, (ii) it may make such decision in its sole discretion (regardless of whether there is a reference to "sole discretion" or "discretion") unless another express standard is provided for, or (iii) in "good faith" or under another express standard, the General Partner or such Affiliate shall act under such express standard and shall not be subject to any other or different standards imposed by this Agreement, the MLP Agreement, any other

agreement contemplated hereby or under the Delaware Act or any other law, rule or regulation. In addition, any actions taken by the General Partner or such Affiliate consistent with the standards of "reasonable discretion" set forth in the definition of Available Cash shall not constitute a breach of any duty of the General Partner to the Partnership or the Limited Partner. The General Partner shall have no duty, express or implied, to sell or otherwise dispose of any asset of the Partnership or of an OLP Subsidiary, other than in the ordinary course of business. No borrowing by the Partnership or the approval thereof by the General Partner shall be deemed to constitute a breach of any duty of the General Partner to the Partnership or the Limited Partner by reason of the fact that the purpose or effect of such borrowing is directly or indirectly to (A) enable the holders of IDRs to receive distributions under the MLP Agreement or increase the amount of any such distributions, (B) hasten the termination of the "Subordination Period" under the MLP Agreement or (C) reduce the "Cumulative Common Unit Arrearage" under the MLP Agreement in order to hasten the conversion of the "Subordinated Units" in the MLP into Common Units.

(c) Whenever a particular transaction, arrangement or resolution of a conflict of interest is required under this Agreement to be "fair and reasonable" to any Person, the fair and reasonable nature of such transaction, arrangement or resolution shall be considered in the context of all similar or related transactions.

SECTION 6.10 Other Matters Concerning the General Partner.

(a) The General Partner may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, bond, debenture, or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties.

(b) The General Partner may consult with legal counsel, accountants, appraisers, management consultants, investment bankers and other consultants and advisers selected by it, and any act taken or omitted to be taken in reliance upon the opinion (including, without limitation, an Opinion of Counsel) of such Persons as to matters that such General Partner reasonably believes to be within such Person's professional or expert competence shall be conclusively presumed to have been done or omitted in good faith and in accordance with such opinion.

(c) The General Partner shall have the right, in respect of any of its powers or obligations hereunder, to act through any of its duly authorized officers and a duly appointed attorney or attorneys-in-fact. Each such attorney shall, to the extent provided by the General Partner in the power of attorney, have full power and authority to do and perform each and every act and duty that is permitted or required to be done by the General Partner hereunder.

(d) Any standard of care and duty imposed by this Agreement or under the Delaware Act or any applicable law, rule or regulation shall be modified, waived or limited as required to permit the General Partner to act under this Agreement or any other agreement contemplated by this Agreement and to make any decision pursuant to the authority prescribed in this Agreement so long as such action is not reasonably believed by the General Partner to be in, or not inconsistent with, the best interests of the Partnership.

SECTION 6.11 Title to Partnership Assets.

Title to Partnership assets, whether real, personal or mixed and whether tangible or intangible, shall be deemed to be owned by the Partnership as an entity, and no Partner, individually or collectively, shall have any ownership interest in such Partnership assets or any portion thereof. Title to any or all of the Partnership assets may be held in the name of the Partnership, the General Partner, one or more of its Affiliates or one or more nominees, as the General Partner may determine. The General Partner hereby declares and warrants that any Partnership assets for which record title is held in the name of the General Partner or one or more of its Affiliates or one or more nominees shall be held by the General Partner or such Affiliate or nominee for the use and benefit of the Partnership in accordance with the provisions of this Agreement; provided, however, that the General Partner shall use its reasonable efforts to cause record title to such assets (other than those assets in respect of which the General Partner determines that the expense and difficulty of conveyancing makes transfer of record title to the Partnership impracticable) to be vested in the Partnership as soon as reasonably practicable; provided that, prior to the withdrawal or removal of the General Partner or as soon thereafter as practicable, the General Partner shall use reasonable efforts to effect the transfer of record title to the Partnership and, prior to any such transfer, will provide for the use of such assets in a manner satisfactory to the Partnership. All Partnership assets shall be recorded as the property of the Partnership in its books and records, irrespective of the name in which record title to such Partnership assets is held.

SECTION 6.12 Reliance by Third Parties.

Notwithstanding anything to the contrary in this Agreement, any Person dealing with the Partnership shall be entitled to assume that the General Partner has full power and authority to encumber, sell or otherwise use in any manner any and all assets of the Partnership and to enter into any contracts on behalf of the Partnership, and such Person shall be entitled to deal with the General Partner as if it were the Partnership's sole party in interest, both legally and beneficially. The Limited Partner hereby waives any and all defenses or other remedies that may be available against such Person to contest, negate or disaffirm any action of the General Partner in connection with any such dealing. In no event shall any Person dealing with the General Partner or its representatives be obligated to ascertain that the terms of this Agreement have been complied with or to inquire into the necessity or expedience of any act or action of the General Partner or its representatives. Each and every certificate, document or other instrument executed on behalf of the Partnership by the General Partner or its representatives shall be conclusive evidence in favor of any and every Person relying thereon or claiming thereunder that (a) at the time of the execution and delivery of such certificate, document or instrument, this Agreement was in full force and effect, (b) the Person executing and delivering such certificate, document or instrument was duly authorized and empowered to do so for and on behalf of the Partnership and (c) such certificate, document or instrument was duly executed and delivered in accordance with the terms and provisions of this Agreement and is binding upon the Partnership.

ARTICLE VII
RIGHTS AND OBLIGATIONS OF THE LIMITED PARTNER

SECTION 7.1 Limitation of Liability.

The Limited Partner shall have no liability under this Agreement except as expressly provided in this Agreement or the Delaware Act.

SECTION 7.2 Management of Business.

The Limited Partner, in its capacity as such, shall not participate in the operation, management or control (within the meaning of the Delaware Act) of the Partnership's business, transact any business in the Partnership's name or have the power to sign documents for or otherwise bind the Partnership. The transaction of any such business by the Partnership, the General Partner, any of its Affiliates or any officer, director, employee, partner, agent or trustee of the General Partner or any of its Affiliates, in its capacity as such, shall not affect, impair or eliminate the limitations on the liability of the Limited Partner under this Agreement.

SECTION 7.3 Return of Capital.

The Limited Partner shall not be entitled to the withdrawal or return of its Capital Contribution, except to the extent, if any, that distributions made pursuant to this Agreement or upon termination of the Partnership may be considered as such by law and then only to the extent provided for in this Agreement.

SECTION 7.4 Rights of the Limited Partner Relating to the Partnership.

(a) In addition to other rights provided by this Agreement or by applicable law, and except as limited by Section 7.4(b), the Limited Partner shall have the right, for a purpose reasonably related to the Limited Partner's interest as a limited partner in the Partnership, upon reasonable demand and at the Limited Partner's own expense:

(i) to obtain true and full information regarding the status of the business and financial condition of the Partnership;

(ii) promptly after becoming available, to obtain a copy of the Partnership's federal, state and local tax returns for each year;

(iii) to have furnished to it, upon notification to the General Partner, a current list of the name and last known business, residence or mailing address of each Partner;

(iv) to have furnished to it, upon notification to the General Partner, a copy of this Agreement and the Certificate of Limited Partnership and all amendments thereto, together with a copy of the executed copies of all powers of attorney pursuant to which this Agreement, the Certificate of Limited Partnership and all amendments thereto have been executed;

(v) to obtain true and full information regarding the amount of cash and a description and statement of the Agreed Value of any other Capital Contribution by each Partner and which each Partner has agreed to contribute in the future, and the date on which each became a Partner; and

(vi) to obtain such other information regarding the, affairs of the Partnership as is just and reasonable.

(b) Notwithstanding any other provision of this Agreement, the General Partner may keep confidential from the Limited Partner for such period of time as the General Partner deems reasonable, any information that the General Partner reasonably believes to be in the nature of trade secrets or other information the disclosure of which the General Partner in good faith believes is not in the best interests of the Partnership or could damage the Partnership or that the Partnership is required by law or by agreements with third parties to keep confidential (other than agreements with Affiliates of the General Partner the primary purpose of which is to circumvent the obligations set forth in this Section 7.4).

ARTICLE VIII
BOOKS, RECORDS, ACCOUNTING AND REPORTS

SECTION 8.1 Records and Accounting.

The General Partner shall keep or cause to be kept at the principal office of the Partnership appropriate books and records with respect to the Partnership's business, including, without limitation, all books and records necessary to provide to the Limited Partner any information, lists and copies of documents required to be provided pursuant to Section 7.4(a). Any books and records maintained by or on behalf of the Partnership in the regular course of its business, including, without limitation, books of account and records of Partnership proceedings, may be kept on, or be in the form of, computer disks, hard drives, punch cards, magnetic tape, photographs, micrographics or any other information storage device, provided, that the books and records so maintained are convertible into clearly legible written form within a reasonable period of time. The books of the Partnership shall be maintained, for financial reporting purposes, on an accrual basis in accordance with generally accepted accounting principles.

SECTION 8.2 Fiscal Year.

The fiscal year of the Partnership shall be August 1 to July 31.

ARTICLE IX
TAX MATTERS

SECTION 9.1 Preparation of Tax Returns.

The General Partner shall arrange for the preparation and timely filing of all returns of Partnership income, gains, deductions, losses and other items required of the Partnership for federal and state income tax purposes and shall use all reasonable efforts to furnish, within 90 days of the close of each calendar year, the tax information reasonably required by the Partners for federal and state income tax reporting purposes. The classification, realization and recognition of income, gain, losses and deductions and other items shall be on the accrual method of accounting for federal income tax purposes. The taxable year of the Partnership shall be August 1 to July 31.

SECTION 9.2 Tax Elections.

Except as otherwise provided herein, the General Partner shall, in its sole discretion, determine whether to make any available election pursuant to the Code; provided, however, that the General Partner shall make the election under Section 754 of the Code in accordance with applicable regulations thereunder. The General Partner shall have the right to seek to revoke any such election (including, without limitation, the election under Section 754 of the Code) upon the General Partner's determination in its sole discretion that such revocation is in the best interests of the Limited Partner.

SECTION 9.3 Tax Controversies.

Subject to the provisions hereof, the General Partner is designated the Tax Matters Partner (as defined in Section 6231 of the Code), and is authorized and required to represent the Partnership (at the Partnership's expense) in connection with all examinations of the Partnership's affairs by tax authorities, including, without limitation, resulting administrative and judicial proceedings, and to expend Partnership funds for professional services and costs associated therewith. The Limited Partner agrees to cooperate with the General Partner and to do or refrain from doing any or all things reasonably required by the General Partner to conduct such proceedings.

SECTION 9.4 Organizational Expenses.

The Partnership shall elect to deduct expenses, if any, incurred by it in organizing the Partnership ratably over a 60-month period as provided in Section 709 of the Code.

SECTION 9.5 Withholding.

Notwithstanding any other provision of this Agreement, the General Partner is authorized to take any action that it determines in its sole discretion to be necessary or appropriate to cause the Partnership to comply with any withholding requirements established under the Code or any other federal, state or local law including, without limitation, pursuant to Sections 1441, 1442, 1445 and 1446 of the Code. To the extent that the Partnership is required to withhold and pay over to any taxing authority any amount resulting from the allocation or distribution of income to any Partner (including, without limitation, by reason of Section 1446 of the Code), the amount withheld shall be treated as a distribution of cash pursuant to Section 5.3 in the amount of such withholding from such Partner.

SECTION 9.6 Opinions of Counsel.

Notwithstanding any other provision of this Agreement, if the Partnership is treated as an association taxable as a corporation at any time or is otherwise taxable for federal income tax purposes as an entity at any time and, pursuant to the provisions of this Agreement, an Opinion of Counsel would otherwise be required to the effect that an action will not cause the Partnership to become so treated as an association taxable as a corporation or otherwise taxable as an entity for federal income tax purposes, such requirement for an Opinion of Counsel shall be deemed automatically waived.

ARTICLE X
TRANSFER OF INTERESTS

SECTION 10.1 Transfer.

(a) The term "transfer," when used in this Article X with respect to a Partnership Interest, shall be deemed to refer to a transaction by which a Partner disposes of its Partnership Interest to another Person and includes a sale, assignment, gift, pledge, encumbrance, hypothecation, mortgage, exchange or any other disposition by law or otherwise, provided, however, that the term "Transfer" shall not include the pledge, encumbrance or hypothecation by a Limited Partner of its Partnership Interest.

(b) No Partnership Interest shall be transferred, in whole or in part, except in accordance with the terms and conditions set forth in this Article X. Any Transfer or purported transfer of a Partnership Interest not made in accordance with this Article X shall be null and void.

(c) Nothing contained in this Article X shall be construed to prevent a disposition by the parent entity of the General Partner of any or all of the issued and outstanding capital stock of the General Partner.

SECTION 10.2 Transfer of the General Partner's Partnership Interest.

If the general partner of the MLP transfers its partnership interest as the general partner therein to any Person in accordance with the provisions of the MLP Agreement, the General Partner shall contemporaneously therewith transfer its Partnership Interest as the general partner of the Partnership to such Person, and the Limited Partner hereby expressly consents to such transfer. 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.

SECTION 10.3 Transfer of the Limited Partner's Partnership Interest.

If the Limited Partner merges, consolidates or otherwise combines into any other Person or transfers all or substantially all of its assets to another Person, such Person may become a Substituted Limited Partner pursuant to Article XI. Except as set forth in the immediately preceding sentence and except for 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, a Limited Partner may not transfer all or any part of its Partnership Interest or withdraw from the Partnership.

SECTION 10.4 Transfer of the Acquisition General Partner's Partnership Interest.

Except for the transfer by FAC of its Partnership Interest in the Partnership as the Acquisition General Partner to Ferrellgas, FAC may not transfer all or any part of its Partnership Interest.

ARTICLE XI
ADMISSION OF PARTNERS

SECTION 11.1 Admission of Initial Partners.

Upon the formation of the Partnership pursuant to the filing of the Certificate of Limited Partnership, Ferrellgas was admitted to the Partnership as the sole general partner and the MLP was admitted to the Partnership as the sole limited partner.

SECTION 11.2 Admission of Ferrellgas as a Limited Partner.

Upon the making by Ferrellgas of the Capital Contributions described in Section 4.2, Ferrellgas was admitted to the Partnership as a limited partner. Upon the transfer by Ferrellgas of its Partnership Interest as a limited partner to the MLP as provided in the Contribution Agreement, Ferrellgas ceased to be a limited partner of the Partnership.

SECTION 11.3 Admission of Substituted Limited Partners.

Any person that is the successor in interest to a Limited Partner as described in Section 10.3 shall be admitted to the Partnership as a limited partner upon (a) furnishing to the General Partner (i) acceptance in form satisfactory to the General Partner of all of the terms and conditions of this Agreement and (ii) such other documents or instruments as may be required to effect its admission as a limited partner in the Partnership and (b) obtaining the consent of the General Partner, which consent may be withheld or granted in the sole discretion of the General Partner; 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. Such Person shall be admitted to the Partnership as a limited partner immediately prior to the transfer of the Partnership Interest, and the business of the Partnership shall continue without dissolution.

SECTION 11.4 Admission of Successor General Partner.

A successor General Partner approved pursuant to Section 12.1 or 12.2 or the transferee of or successor to all of the General Partner's Partnership Interest as the general partner in the Partnership pursuant to Section 10.2 who is proposed to be admitted as a successor General Partner shall, subject to compliance with the terms of Section 12.3, if applicable, be admitted to the Partnership as the successor General Partner, effective immediately prior to the withdrawal or removal of the General Partner pursuant to Section 12.1 or 12.2 or the transfer of the General Partner's Partnership Interest as the general partner of the Partnership pursuant to Section 10.2. Any such successor shall, subject to the terms hereof, carry on the business of the Partnership without dissolution. In each case, the admission of such successor General Partner to the Partnership shall, subject to the terms hereof, be subject to the successor General Partner executing and delivering to the Partnership an acceptance of all of the terms and conditions of this Agreement and such other documents or instruments as may be required to effect such admission.

SECTION 11.5 Amendment of Agreement and Certificate of Limited Partnership.

To effect the admission to the Partnership of any Partner, the General Partner shall take all steps necessary and appropriate under the Delaware Act to amend the records of the Partnership to reflect such admission and, if necessary, to prepare as soon as practical an amendment of this Agreement and, if required by law, to prepare and file an amendment to the Certificate of Limited Partnership and may for this purpose, among others, exercise the power of attorney granted pursuant to Section 1.4.

SECTION 11.6 Admission of Additional Limited Partners.

(a) A Person (other than the General Partner, the Initial Limited Partner or a Substituted Limited Partner) who makes a Capital Contribution to the Partnership in accordance with this Agreement shall be admitted to the Partnership as an Additional Limited Partner only upon furnishing to the General Partner (i) evidence of acceptance in form satisfactory to the General Partner of all of the terms and conditions of this Agreement, including, without limitation, the granting of the power of attorney granted in Section 1.4, and (ii) such other documents or instruments as may be required in the discretion of the General Partner to effect such Person's admission as an Additional Limited Partner.

(b) Notwithstanding anything to the contrary in this Section 11.6, no Person shall be admitted as an Additional Limited Partner without the consent of the General Partner, which consent may be given or withheld in the General Partner's sole discretion. The admission of any Person as an Additional Limited Partner shall become effective on the date upon which the name of such Person is recorded as such in the books and records of the Partnership, following the consent of the General Partner to such admission.

SECTION 11.7 Admission of FAC as the Acquisition General Partner.

Upon the making by FAC of the Capital Contribution described in Section 4.2(c), FAC was admitted to the Partnership as the Acquisition General Partner.

ARTICLE XII
WITHDRAWAL OR REMOVAL OF PARTNERS

SECTION 12.1 Withdrawal of the General Partner.

(a) The General Partner shall be deemed to have withdrawn from the Partnership upon the occurrence of any one of the following events (each such event herein referred to as an "Event of Withdrawal");

(i) the General Partner voluntarily withdraws from the Partnership by giving written notice to the Limited Partner;

(ii) the General Partner transfers all of its rights as General Partner pursuant to Section 10.2;

(iii) the General Partner is removed pursuant to Section 12.2;

(iv) the general partner of the MLP withdraws from the MLP;

(v) the General Partner (A) makes a general assignment for the benefit of creditors; (B) files a voluntary bankruptcy petition; (C) files a petition or answer seeking for itself a reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any law; (D) files an answer or other pleading admitting or failing to contest the material allegations of a petition filed against the General Partner in a proceeding of the type described in clauses (A)-(C) of this Section 12.1(a)(v); or (E) seeks, consents to or acquiesces in the appointment of a trustee, receiver or liquidator of the General Partner or of all or any substantial part of its properties;

(vi) a final and non-appealable judgment is entered by a court with appropriate jurisdiction ruling that the General Partner is bankrupt or insolvent, or a final and non-appealable order for relief is entered by a court with appropriate jurisdiction against the General Partner, in each case under any federal or state bankruptcy or insolvency laws as now or hereafter in effect; or

(vii) a certificate of dissolution or its equivalent is filed for the General Partner, or 90 days expire after the date of notice to the General Partner of revocation of its charter without a reinstatement of its charter, under the laws of its state of incorporation.

If an Event of Withdrawal specified in Section 12.1(a)(v), (vi) or (vii) occurs, the withdrawing General Partner shall give notice to the Limited Partner within 30 days after such occurrence. The Partners hereby agree that only the Events of Withdrawal described in this Section 12.1 shall result in the withdrawal of the General Partner from the Partnership.

(b) Withdrawal of the General Partner from the Partnership upon the occurrence of an Event of Withdrawal shall not constitute a breach of this Agreement under the following circumstances:

(i) at any time during the period beginning on the Closing Date and ending at 12:00 Midnight, Central Standard Time, on July 31, 2004 the General Partner voluntarily withdraws by giving at least 90 days' advance notice of its intention to withdraw to the Limited Partner, provided, that prior to the effective date of such withdrawal the Limited Partner approves such withdrawal and the General Partner delivers to the Partnership an Opinion of Counsel ("Withdrawal Opinion of Counsel") that such withdrawal (following the selection of the successor General Partner) would not result in the loss of the limited liability of the Limited Partner or cause the Partnership to be treated as an association taxable as a corporation or otherwise to be taxed as an entity for federal income tax purposes;

(ii) at any time on or after 12:00 Midnight, Central Standard Time, on July 31, 2004, the General Partner voluntarily withdraws by giving at least 90 days' advance notice to the Limited Partner, such withdrawal to take effect on the date specified in such notice; or

(iii) at any time that the General Partner ceases to be the General Partner pursuant to Section 12.1(a)(ii), (iii) or (iv). If the General Partner gives a notice of withdrawal pursuant to Section 12.1(a)(i) or Section 13.1(a)(i) of the MLP Agreement, the Limited Partner may, prior to the effective date of such withdrawal, elect a successor General Partner, provided, that such successor shall be the same Person, if any, that is elected by the limited partners of the MLP pursuant to Section 13.1 of the MLP Agreement as the successor to the General Partner in its capacity as general partner of the MLP. If, prior to the effective date of the General Partner's withdrawal, a successor is not selected by the Limited Partner as provided herein or the Partnership does not receive a Withdrawal Opinion of Counsel, the Partnership shall be dissolved in accordance with Section 13.1. Any successor General Partner elected in accordance with the terms of this Section 12.1 shall be subject to the provisions of Section 11.4.

SECTION 12.2 Removal of the General Partner.

The General Partner shall be removed if such General Partner is removed as a general partner of the MLP pursuant to Section 13.2 of the MLP Agreement. Such removal shall be effective concurrently with the effectiveness of the removal of such General Partner as the general partner of the MLP pursuant to the terms of the MLP Agreement. If a successor to the General Partner in its capacity as general partner of the MLP is elected in connection with the removal of such General Partner as general partner of the MLP, as provided in the MLP Agreement, then the Limited Partner shall elect such successor as the successor General Partner of the Partnership and such successor shall, upon admission pursuant to Article XI, automatically become a successor General Partner of the Partnership. The admission of any such successor General Partner to the Partnership shall be subject to the provisions of Section 11.4.

SECTION 12.3 Interest of Departing Partner and Successor General Partner.

The Partnership Interest of a Departing Partner departing as a result of withdrawal or removal pursuant to Section 12.1 or 12.2 shall (unless it is otherwise required to be converted into Common Units pursuant to Section 13.3(b) of the MLP Agreement) be purchased by the successor to the Departing Partner for cash in the manner specified in the MLP Agreement. Such purchase (or conversion into Common Units, as applicable) shall be a condition to the admission to the Partnership of the successor as the General Partner. Any successor General Partner shall indemnify the Departing General Partner as to all debts and liabilities of the Partnership arising on or after the effective date of the removal of the Departing Partner.

SECTION 12.4 Reimbursement of Departing Partner.

The Departing Partner shall be entitled to receive all reimbursements due such Departing Partner pursuant to Section 6.4, including, without limitation, any employee-related liabilities (including, without limitation, severance liabilities), incurred in connection with the termination of any employees employed by such departing Partner for the benefit of the Partnership.

SECTION 12.5 Withdrawal of the 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.

SECTION 12.6 Withdrawal of the Acquisition General Partner.

The Acquisition General Partner shall withdraw from the Partnership immediately following the assignment of its general partner interest in the Partnership to Ferrellgas as provided in Section 4.2(c).

ARTICLE XIII
DISSOLUTION AND LIQUIDATION

SECTION 13.1 Dissolution.

The Partnership shall not be dissolved by the admission of Substituted Limited Partners or Additional Limited Partners or by the admission of a successor General Partner or the withdrawal of the Acquisition General Partner in accordance with the terms of this Agreement. Upon the removal or withdrawal of the General Partner any successor General Partner shall continue the business of the Partnership. The Partnership shall dissolve and, subject to Section 13.2, its affairs should be wound up, upon:

(a) the expiration of its term as provided in Section 1.5;

(b) an Event of Withdrawal of the General Partner as provided in Section 12.1(a) (other than Section 12.1(a)(ii)), unless a successor is elected and an Opinion of Counsel is received as provided in Section 12.1(b) or 12.2 and such successor is admitted to the Partnership pursuant to Section 11.4;

(c) an election to dissolve the Partnership by the General Partner that is approved by the Limited Partner;

(d) entry of a decree of judicial dissolution of the Partnership pursuant to the provisions of the Delaware Act;

(e) the sale of all or substantially all of the assets and properties of the Partnership; or

(f) the dissolution of the MLP.

SECTION 13.2 Continuation of the Business of the Partnership after Dissolution.

Upon (a) dissolution of the Partnership following an Event of Withdrawal caused by the withdrawal or removal of the General Partner as provided in Section 12.1(a)(i) or (iii) and following a failure of the Limited Partner to appoint a successor General Partner as provided in Section 12.1 or 12.2, then within 90 days thereafter or (b) dissolution of the Partnership upon an event constituting an Event of Withdrawal as defined in Section 12.1(a)(v), (vi) or (vii), then within 180 days thereafter, the Limited Partner may elect to reconstitute the Partnership and continue its business on the same terms and conditions set forth in this Agreement by forming a new limited partnership on terms identical to those set forth in this Agreement and having as a general partner a Person approved by the Limited Partner. In addition, upon dissolution of the Partnership pursuant to Section 13.1(f), if the MLP is reconstituted pursuant to Section 14.2 of the MLP Agreement, the reconstituted MLP may, within 180 days after such event of dissolution, as the Limited Partner, elect to reconstitute the Partnership in accordance with the immediately preceding sentence. Upon any such election by the Limited Partner, all Partners shall be bound thereby and shall be deemed to have approved same. Unless such an election is made within the applicable time period as set forth above, the Partnership shall conduct only activities necessary to wind up its affairs. If such an election is so made, then:

(i) the reconstituted Partnership shall continue until the end of the term set forth in Section 1.5 unless earlier dissolved in accordance with this Article XIII;

(ii) if the successor General Partner is not the former General Partner, then the interest of the former General Partner shall be purchased by the successor General Partner or converted into Common Units of the MLP as provided in the MLP Agreement; and

(iii) all necessary steps shall be taken to cancel this Agreement and the Certificate of Limited Partnership and to enter into and, as necessary, to file a new partnership agreement and certificate of limited partnership, and the successor General Partner may for this purpose exercise the powers of attorney granted the General Partner pursuant to Section 1.4; provided, that the right to approve a successor General Partner and to reconstitute and to continue the business of the Partnership shall not exist and may not be exercised unless the Partnership has received an Opinion of Counsel that (x) the exercise of the right would not result in the loss of limited liability of the Limited Partner and (y) neither the Partnership nor the reconstituted limited partnership would be treated as an association taxable as a corporation or otherwise be taxable as an entity for federal income tax purposes upon the exercise of such right to continue.

SECTION 13.3 Liquidation.

Upon dissolution of the Partnership, unless the Partnership is continued under an election to reconstitute and continue the Partnership pursuant to Section 13.2, the General Partner, or in the event the General Partner has been dissolved or removed, become bankrupt as set forth in Section 12.1 or withdrawn from the Partnership, a liquidator or liquidating committee approved by the Limited Partner, shall be the Liquidator. The Liquidator (if other than the General Partner) shall be entitled to receive such compensation for its services as may be approved by the Limited Partner. The Liquidator shall agree not to resign at any time without 15 days' prior notice and (if other than the General Partner) may be removed at any time, with or without cause, by notice of removal approved by the Limited Partner. Upon dissolution, removal or resignation of the Liquidator, a successor and substitute Liquidator (who shall have and succeed to all rights, powers and duties of the original Liquidator) shall within 30 days thereafter be approved by the Limited Partner. The right to approve a successor or substitute Liquidator in the manner provided herein shall be deemed to refer also to any such successor or substitute Liquidator approved in the manner herein provided. Except as expressly provided in this Article XIII, the Liquidator approved in the manner provided herein shall have and may exercise, without further authorization or consent of any of the parties hereto, all of the powers conferred upon the General Partner under the terms of this Agreement (but subject to all of the applicable limitations, contractual and otherwise, upon the exercise of such powers, other than the limitation on sale set forth in Section 6.3(b)) to the extent necessary or desirable in the good faith judgment of the Liquidator to carry out the duties and functions of the Liquidator hereunder for and during such period of time as shall be reasonably required in the good faith judgment of the Liquidator to complete the winding up and liquidation of the Partnership as provided for herein. The Liquidator shall liquidate the assets of the Partnership, and apply and distribute the proceeds of such liquidation in the following order of priority, unless otherwise required by mandatory provisions of applicable law:

(a) the payment to creditors of the Partnership, including, without limitation, Partners who are creditors, in the order of priority provided by law; and the creation of a reserve of cash or other assets of the Partnership for contingent liabilities in an amount, if any, determined by the Liquidator to be appropriate for such purposes; and

(b) to all Partners in accordance with the positive balances in their respective Capital Accounts, as determined after taking into account all Capital Account adjustments (other than those made by reason of this clause) for the taxable year of the Partnership during which the liquidation of the Partnership occurs (with the date of such occurrence being determined pursuant to Treasury Regulation Section 1.704-1(b)(2)(ii)(g));and such distribution shall be made by the end of such taxable year (or, if later, within 90 days after said date of such occurrence).

SECTION 13.4 Distributions in Kind.

(a) Notwithstanding the provisions of Section 13.3, which require the liquidation of the assets of the Partnership, but subject to the order of priorities set forth therein, if prior to or upon dissolution of the Partnership the Liquidator determines that an immediate sale of part or all of the Partnership's assets would be impractical or would cause undue loss to the Partners, the Liquidator may, in its absolute discretion, defer for a reasonable time the liquidation of any assets except those necessary to satisfy liabilities of the Partnership (including, without limitation, those to Partners as creditors) and/or distribute to the Partners or to specific classes of Partners, in lieu of cash, as tenants in common and in accordance with the provisions of Section 13.3, undivided interests in such Partnership assets as the Liquidator deems not suitable for liquidation. Any such distributions in kind shall be made only if, in the good faith judgment of the Liquidator, such distributions in kind are in the best interest of the Limited Partner, and shall be subject to such conditions relating to the disposition and management of such properties as the Liquidator deems reasonable and equitable and to any agreements governing the operation of such properties at such time. The Liquidator shall determine the fair market value of any property distributed in kind using such reasonable method of valuation as it may adopt.

(b) In accordance with Section 704(c)(1)(B) of the Code, in the case of any deemed distribution occurring as a result of a termination of the Partnership pursuant to Section 708(b)(1)(B) of the Code, to the maximum extent possible consistent with the priorities of Section 13.3, the General Partner shall have sole discretion to treat the deemed distribution of Partnership assets to Partners as occurring in a manner that will not cause a shift of the Book Tax Disparity attributable to a Partnership asset existing immediately prior to the deemed distribution to another asset upon the deemed contribution of assets to the reconstituted Partnership, including, without limitation, deeming the distribution of any Partnership assets to be made either to the Partner who contributed such assets or to the transferee of such Partner.

SECTION 13.5 Cancellation of Certificate of Limited Partnership.

Upon the completion of the distribution of Partnership cash and property as provided in Sections 13.3 and 13.4 in connection with the liquidation of the Partnership, the Partnership shall be terminated and the Certificate of Limited Partnership and all qualifications of the Partnership as a foreign limited partnership in jurisdictions other than the State of Delaware shall be cancelled and such other action as may be necessary to terminate the Partnership shall be taken.

SECTION 13.6 Reasonable Time for Winding Up.

A reasonable time shall be allowed for the orderly winding up of business and affairs of the Partnership and the liquidation of its assets pursuant to Section 13.3 in order to minimize any losses otherwise attendant upon such winding up, and the provisions of this Agreement shall remain in effect between the Partners during the period of liquidation.

SECTION 13.7 Return of Capital.

The General Partner shall not be personally liable for, and shall have no obligation to contribute or loan any monies or property to the Partnership to enable it to effectuate, the return of the Capital Contributions of the Limited Partner, or any portion thereof, it being expressly understood that any such return shall be made solely from Partnership assets.

SECTION 13.8 Capital Account Restoration.

No Limited Partner shall have any obligation to restore any negative balance in its Capital Account upon liquidation of the Partnership. The General Partner shall be obligated to restore any negative balance in its Capital Account upon liquidation of its interest in the Partnership by the end of the taxable year of the Partnership during which such liquidation occurs, or, if later, within 90 days after the date of such liquidation.

SECTION 13.9 Waiver of Partition.

Each Partner hereby waives any right to partition of the Partnership property.

ARTICLE XIV
AMENDMENT OF PARTNERSHIP AGREEMENT

SECTION 14.1 Amendment to be Adopted Solely by General Partner.

The Acquisition General Partner and the Limited Partner agree that the General Partner (pursuant to its powers of attorney from the Acquisition General Partner and the Limited Partner), without the approval of the Acquisition General Partner or the Limited Partner, may amend any provision of this Agreement, and execute, swear to, acknowledge, deliver, file and record whatever documents may be required in connection therewith, to reflect:

(a) a change in the name of the Partnership, the location of the principal place of business of the Partnership, the registered agent of the Partnership or the registered office of the, Partnership;

(b) admission, substitution, withdrawal or removal of Partners in accordance with this Agreement;

(c) a change that, in the sole discretion of the General Partner, is necessary or appropriate to qualify or continue the qualification of the Partnership as a limited partnership or a partnership in which the limited partners have limited liability under the laws of any state or that is necessary or advisable in the opinion of the General Partner to ensure that the Partnership will not be treated as an association taxable as a corporation or otherwise taxed as an entity for federal income tax purposes;

(d) a change (i) that, in the sole discretion of the General Partner, does not adversely affect the Acquisition General Partner or the Limited Partner in any material respect, (ii) that is necessary or desirable to satisfy any requirements, conditions or guidelines contained in any opinion, directive, order, ruling or regulation of any federal or state agency or judicial authority or contained in any federal or state statute (including, without limitation, the Delaware Act), compliance with any of which the General Partner determines in its sole discretion to be in the best interests of the Partnership and the Limited Partner, (iii) that is required to effect the intent of the provisions of this Agreement or is otherwise contemplated by this Agreement or (iv) that is required to conform the provisions of this Agreement with the provisions of the MLP Agreement as the provisions of the MLP Agreement may be amended, supplemented or restated from time to time;

(e) a change in the fiscal year and taxable year of the Partnership and any changes that, in the sole discretion of the General Partner, are necessary or appropriate as a result of a change in the fiscal year and taxable year of the Partnership including, without limitation, if the General Partner shall so determine, a change in the definition of "Quarter" and the dates on which distributions are to be made by the Partnership;

(f) an amendment that is necessary, in the Opinion of Counsel, to prevent the Partnership or the General Partner or its directors or officers from in any manner being subjected to the provisions of the Investment Company Act of 1940, as amended, the Investment Advisers Act of 1940, as amended, or "plan asset" regulations adopted under the Employee Retirement Income Security Act of 1974, as amended, whether or not substantially similar to plan asset regulations currently applied or proposed by the United States Department of Labor;

(g) any amendment expressly permitted in this Agreement to be made by the General Partner acting alone;

(h) an amendment effected, necessitated or contemplated by a Merger Agreement approved in accordance with Section 15.3;

(i) an amendment that, in the sole discretion of the General Partner, is necessary or desirable to reflect, account for and deal with appropriately the formation by the Partnership of, or investment by the Partnership in, any corporation, partnership, joint venture, limited liability company or other entity, in connection with the conduct by the Partnership of activities permitted by the terms of Section 3.1; or

(j) any other amendments substantially similar to the foregoing.

SECTION 14.2 Amendment Procedures.

Except with respect to amendments of the type described in Section 14.1, all amendments to this Agreement shall be made in accordance with the following requirements. Amendments to this Agreement may be proposed only by or with the consent of the General Partner. Each such proposal shall contain the text of the proposed amendment. A proposed amendment shall be effective upon its approval by the Limited Partner.

ARTICLE XV
MERGER

SECTION 15.1 Authority.

The Partnership may merge or consolidate with one or more corporations, business trusts or associations, real estate investment trusts, common law trusts or unincorporated businesses, including, without limitation, a general partnership or limited partnership, formed under the laws of the State of Delaware or any other state of the United States of America, pursuant to a written agreement of merger or consolidation ("Merger Agreement") in accordance with this Article.

SECTION 15.2 Procedure for Merger or Consolidation.

Merger or consolidation of the Partnership pursuant to this Article requires the prior approval of the General Partner. If the General Partner shall determine, in the exercise of its sole discretion, to consent to the merger or consolidation, the General Partner shall approve the Merger Agreement, which shall set forth:

(a) The names and jurisdictions of formation or organization of each of the business entities proposing to merge or consolidate;

(b) The name and jurisdictions of formation or organization of the business entity that is to survive the proposed merger or consolidation (the "Surviving Business Entity");

(c) The terms and conditions of the proposed merger or consolidation;

(d) The manner and basis of exchanging or converting the equity securities of each constituent business entity for, or into, cash, property or general or limited partnership interests, rights, securities or obligations of the Surviving Business Entity; and (i) if any general or limited partnership interests, securities or rights of any constituent business entity are not to be exchanged or converted solely for, or into, cash, property or general or limited partnership interests, rights, securities or obligations of the Surviving Business Entity, the cash, property or general or limited partnership interests, rights, securities or obligations of any limited partnership, corporation, trust or other entity (other than the Surviving Business Entity) which the holders of such general or limited partnership interests, securities or rights are to receive in exchange for, or upon conversion of, their general or limited partner interests, securities or rights, and (ii) in the case of securities represented by certificates, upon the Surrender of such certificates, which cash, property or general or limited partnership interests, rights, securities or obligations of the Surviving Business Entity or any general or limited partnership, corporation, trust or other entity (other than the Surviving Business Entity), or evidences thereof, are to be delivered;

(e) A statement of any changes in the constituent documents or the adoption of new constituent documents (the articles or certificate of incorporation, articles of trust, declaration of trust, certificate or agreement of limited partnership or other similar charter or governing document) of the Surviving Business Entity to be effected by such merger or consolidation;

(f) The effective time of the merger, which may be the date of the filing of the certificate of merger pursuant to Section 15.4 or a later date specified in or determinable in accordance with the Merger Agreement (provided, that if the effective time of the merger is to be later than the date of the filing of the certificate of merger, the effective time shall be fixed no later than the time of the filing of the certificate of merger and stated therein); and

(g) Such other provisions with respect to the proposed merger or consolidation as are deemed necessary or appropriate by the General Partner.

SECTION 15.3 Approval by Limited Partner of Merger or Consolidation.

(a) The General Partner of the Partnership, upon its approval of the Merger Agreement, shall direct that a copy or a summary of the Merger Agreement be submitted to the Limited Partner for its approval.

(b) The Merger Agreement shall be approved upon receiving the consent of the Limited Partner. After such approval by the Limited Partner, and at any time prior to the filing of the certificate of merger pursuant to Section 15.4, the merger or consolidation may be abandoned pursuant to provisions therefor, if any, set forth in the Merger Agreement.

SECTION 15.4 Certificate of Merger.

Upon the required approval by the General Partner, the Acquisition General Partner and the Limited Partner of a Merger Agreement, a certificate of merger shall be executed and filed with the Secretary of State of the State of Delaware in conformity with the requirements of the Delaware Act.

SECTION 15.5 Effect of Merger.

(a) At the effective time of the Certificate of merger:

(i) all of the rights, privileges and powers of each of the business entities that has merged or consolidated, and all property, real, personal and mixed, and all debts due to any of those business entities and all other things and causes of action belonging to each of those business entities shall be vested in the Surviving Business Entity and after the merger or consolidation shall be the property of the Surviving Business Entity to the extent they were of each constituent business entity;

(ii) the title to any real property vested by deed or otherwise in any of those constituent business entities shall not revert and is not in any way impaired because of the merger or consolidation;

(iii) all rights of creditors and all liens on or security interest in property of any of those constituent business entities shall be preserved unimpaired; and

(b) all debts, liabilities and duties of those constituent business entities shall attach to the Surviving Business Entity, and may be enforced against it to the same extent as if the debts, liabilities and duties had been incurred or contracted by it.

SECTION 15.6 Transfer or Assignment of Assets or Liabilities.

A merger or consolidation effected pursuant to this Article shall not be deemed to result in a transfer or assignment of assets or liabilities from one entity to another having occurred.

ARTICLE XVI
GENERAL PROVISIONS

SECTION 16.1 Addresses and Notices.

Any notice, demand, request or report required or permitted to be given or made to a Partner under this Agreement shall be in writing, and shall be deemed given or made when received by it at the principal office of the Partnership referred to in Section 1.3.

SECTION 16.2 References.

Except as specifically provided otherwise, references to "Articles" and "Sections" are to Articles and Sections of this Agreement.

SECTION 16.3 Pronouns and Plurals.

Whenever the context may require, any pronoun used in this Agreement shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns, pronouns and verbs shall include the plural and vice versa.

SECTION 16.4 Further Action.

The parties shall execute and deliver all documents, provide all information and take or refrain from taking action as may be necessary or appropriate to achieve the purposes of this Agreement.

SECTION 16.5 Binding Effect.

This Agreement shall be binding upon and inure to the benefit of the parties hereto and their heirs, executors, administrators, successors, legal representatives and permitted assigns.

SECTION 16.6 Integration.

This Agreement constitutes the entire agreement among the parties hereto pertaining to the subject matter hereof and supersedes all prior agreements and understandings pertaining thereto.

SECTION 16.7 Creditors.

None of the provisions of this Agreement shall be for the benefit of, or shall be enforceable by, any creditor of the Partnership.

SECTION 16.8 Waiver.

No failure by any party to insist upon the strict performance of any covenant, duty, agreement or condition of this Agreement or to exercise any right or remedy consequent upon a breach thereof shall constitute waiver of any such breach or any other covenant, duty, agreement or condition.

SECTION 16.9 Counterparts.

This Agreement may be executed in counterparts, all of which together shall constitute an agreement binding on all the parties hereto, notwithstanding that all such parties are not signatories to the original or the same counterpart. Each party shall become bound by this Agreement immediately upon affixing its signature hereto, independently of the signature of any other party.

SECTION 16.10 Applicable Law.

This Agreement shall be construed in accordance with and governed by the laws of the State of Delaware, without regard to the principles of conflicts of law.

SECTION 16.11 Invalidity of Provisions.

If any provision of this Agreement is or becomes invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not be affected thereby.

[remainder of page intentionally left blank - signature page follows]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

GENERAL PARTNER:

FERRELLGAS, INC.

By: /s/ Kevin T. Kelly

Kevin T. Kelly
Senior Vice President and Chief Financial Officer

LIMITED PARTNER:

FERRELLGAS PARTNERS, L.P.

By: Ferrellgas, Inc.,
its general partner

By: /s/ Kevin T. Kelly

Kevin T. Kelly,
Senior Vice President and Chief Financial Officer

FERRELLGAS ESCROW LLC
FERRELLGAS FINANCE ESCROW CORPORATION

6 3/4% SENIOR NOTES DUE 2014

INDENTURE

Dated as of April 20, 2004

U.S. Bank National Association

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)	11.03
(c)	11.03
313(a)	7.06
(b)(1)	N.A.
(b)(2)	7.06; 7.07
(c)	7.06; 11.02
(d)	7.06
314(a)	4.03;11.02; 11.05
(b)	N.A.
(c)(1)	11.04
(c)(2)	11.04
(c)(3)	N.A.
(d)	N.A.
(e)	11.05
(f)	N.A.
315(a)	7.01
(b)	7.05, 11.02
(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)	2.12
317(a)(1)	6.08
(a)(2)	6.09
(b)	2.04
318(a)	11.01
(b)	N.A.

	(c).....	11.01

N.A. means not applicable.
* This Cross Reference Table is not part of the Indenture.

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This INDENTURE dated as of April 20, 2004 among Ferrellgas Escrow LLC, a Delaware limited liability company ("Escrow LLC"), Ferrellgas Finance Escrow Corporation, a Delaware corporation ("Escrow Finance Corp."), U.S. Bank National Association, as trustee (the "Trustee"), and on and after the Merger Date (as defined below), Ferrellgas, L.P., a Delaware limited partnership ("Ferrellgas, L.P."), and Ferrellgas Finance Corp., a Delaware corporation ("Finance Corp."). Unless specifically indicated otherwise, the term "Issuers" means (i) Escrow LLC and Escrow Finance Corp. prior to the Merger Date and (ii) Ferrellgas, L.P. and Finance Corp. on and after the Merger Date.

Pursuant to the Agreement and Plan of Merger, dated as of February 8, 2004 (the "Acquisition Merger Agreement"), by and among FCI Trading Corp., a Delaware corporation ("FCI"), Diesel Acquisition LLC, a Delaware limited liability company and a wholly-owned subsidiary of FCI ("Diesel"), Ferrell Companies, Inc., a Kansas corporation, and Blue Rhino Corporation, a Delaware corporation ("Blue Rhino Corp."), Diesel will merge with and into Blue Rhino Corp. with Blue Rhino Corp. being the surviving entity (the "Acquisition Merger").

Upon the consummation of the Acquisition Merger and the occurrence of certain other conditions, it is expected that the net proceeds of the offering of the Notes (as defined below) that will be deposited into the escrow account pursuant to an Escrow and Security Agreement, dated as of the date hereof (the "Escrow and Security Agreement"), among Escrow LLC and Escrow Finance Corp., the Trustee and LaSalle Bank National Association, as escrow agent and securities intermediary (the "Escrow Agent"), will be released to Escrow LLC and Escrow Finance Corp. pursuant thereto. In accordance with the terms of the Acquisition Merger Agreement, such funds, together with additional funds sufficient to pay the consideration for the Acquisition Merger (such consideration, the "Merger Consideration"), will be deposited into another escrow account pursuant to the terms of an escrow agreement (the "Acquisition Escrow Agreement"), to be dated as of or prior to the date of the consummation of the Acquisition Merger, by and among FCI, Blue Rhino Corp. and the Escrow Agent. Pursuant to the Acquisition Escrow Agreement, it is expected that all such funds will be released to the Paying Agent (as defined below) for payment of the Merger Consideration simultaneously with the effectiveness of the merger of Blue Rhino LLC with and into Ferrellgas, L.P. and the Escrow Mergers (as defined below) (the date and time of the effectiveness of the Escrow Mergers being referred to herein as the "Merger Date").

Pursuant to the Contribution Agreement, dated as of February 8, 2004, by and among FCI, the General Partner, Ferrellgas Partners and Ferrellgas, L.P. (the "Contribution Agreement"), FCI has agreed to convert Blue Rhino Corp. into a limited liability company. Upon such conversion, FCI will contribute to Ferrellgas Partners a portion of the membership interests in Blue Rhino LLC and Ferrellgas Partners will assume FCI's obligations under the Acquisition Merger Agreement to pay the Merger Consideration, together with specific other obligations. After that contribution, Ferrellgas Partners will contribute to Ferrellgas, L.P. its membership interests in Blue Rhino LLC and Ferrellgas, L.P. will assume Ferrellgas Partners' obligations to pay the Merger Consideration, together with specific other obligations. Blue Rhino LLC will then be merged with and into Ferrellgas, L.P. with Ferrellgas, L.P. being the surviving entity.

On the Merger Date, Escrow LLC will merge with and into Ferrellgas, L.P. with Ferrellgas, L.P. being the surviving entity and Escrow Finance Corp. will merge with and into Finance Corp. with Finance Corp. being the surviving entity (together, the "Escrow Mergers"); and Ferrellgas, L.P. and Finance Corp. will succeed to the obligations of Escrow LLC and Escrow Finance Corp. under this Indenture, the Notes and a registration rights agreement, dated as of the date hereof, among Escrow LLC, Escrow Finance Corp. and the Initial Purchasers and on and after the Merger Date, Ferrellgas, L.P. and Finance Corp.

The Issuers and the Trustee agree as follows for the benefit of each other and for the equal and ratable benefit of the Holders (as defined below) of the 6 3/4% Senior Notes due 2014 (the "Notes"):

ARTICLE 1.
DEFINITIONS AND INCORPORATION BY REFERENCE

Section 1.01 Definitions.

"144A Global Note" means a Global Note substantially in the form of Exhibit A1 hereto bearing the Global Note Legend and the Private Placement Legend and deposited with or on behalf of, and registered in the name of, the Depositary or its nominee that will be issued in a denomination equal to the outstanding principal amount of the Notes sold in reliance on Rule 144A.

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

"Additional Notes" means additional notes (other than the Initial Notes and the Exchange Notes) issued from time to time under this Indenture in accordance with Sections 2.02 and 4.09 hereof, as part of the same series as the Initial Notes.

"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," as used with respect to any Person, will 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 that beneficial ownership of 10% or more of the voting securities of a Person shall be deemed to be control. For purposes of this definition, the terms "controlling," "controlled by" and "under common control with" will have correlative meanings.

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

"Applicable Procedures" means, with respect to any transfer or exchange of, or for beneficial interests in, any Global Note, the rules and procedures of the Depositary, Euroclear and Clearstream that apply to such transfer or exchange.

"Asset Acquisition" means the following (in all cases, including assets acquired through a Flow-Through Acquisition):

(1) an Investment by the Partnership or any Restricted Subsidiary of the Partnership in any other Person pursuant to which the Person shall become a Restricted Subsidiary of the Partnership, or shall be merged with or into the Partnership or any Restricted Subsidiary of the Partnership;

(2) the acquisition by the Partnership or any Restricted Subsidiary of the Partnership of the assets of any Person, other than a Restricted Subsidiary of the Partnership, which constitute all or substantially all of the assets of such Person; or

(3) the acquisition by the Partnership or any Restricted Subsidiary of the Partnership of any division or line of business of any Person, other than a Restricted Subsidiary of the Partnership.

"Asset Sale" means either of the following, whether in a single transaction or a series of related transactions:

(1) the sale, lease, conveyance or other disposition of any assets other than (a) sales, leases or transfers of assets in the ordinary course of business (including but not limited to the sales of inventory in the ordinary course of business), and (b) sales of accounts receivable under any Accounts Receivable Securitization; or

(2) the issuance or sale of Capital Stock of any direct Subsidiary.

Notwithstanding the preceding, none of the following items will be deemed to be an Asset Sale:

(1) any sale, lease or transfer of assets or Capital Stock by the Partnership or any of its Restricted Subsidiaries to the Issuers or a Restricted Subsidiary;

(2) any sale or transfer of assets or Capital Stock by the Partnership or any of its Restricted Subsidiaries to any entity in exchange for other assets used in a related business and/or cash (provided, that such cash portion is at least 75% of the difference between the value of the assets being transferred and the value of the assets being received) and having a fair market value, as determined in good faith by an authorized financial officer of the General Partner, reasonably equivalent to the fair market value of the assets so transferred;

(3) any sale, lease or transfer of assets in accordance with Permitted Investments;

(4) the sale, lease, conveyance or other disposition of all or substantially all of the assets of the Partnership; provided, that the sale, lease, conveyance or other disposition of all or substantially all of the assets of the Partnership will be governed by Section 4.14 hereof and/or Section 5.01 hereof and not Section 4.10 hereof;

(5) the transfer or disposition of assets that are permitted Restricted Payments;

(6) any sale, lease or transfer of assets pursuant to a Sale and Leaseback Transaction otherwise permitted by this Indenture; and

(7) sales or transfers of accounts receivable under an Accounts Receivable Securitization.

"Attributable Debt" means, with respect to any Sale and Leaseback Transactions not involving a Capital Lease, as of any date of determination, the total obligation, discounted to present value at the rate of interest implicit in the lease included in the transaction, of the lessee for rental payments during the remaining portion of the term of the lease, including extensions which are at the sole option of the lessor, of the lease included in the transaction. For purposes of this definition, the rental payments shall not include amounts required to be paid on account of property taxes, maintenance, repairs, insurance, assessments, utilities, operating and labor costs and other items which do not constitute payments for property rights. In the case of any lease which is terminable by the lessee upon the payment of a penalty, the rental obligation shall also include the amount of the penalty, but no rent shall be considered as required to be paid under such lease subsequent to the first date upon which it may be so terminated.

"Available Cash" as to any quarter means:

(1) the sum of:

(a) all cash receipts of the Partnership during such quarter from all sources (including, without limitation, distributions of cash received from Subsidiaries of the Partnership, cash proceeds from Interim Capital Transactions, but excluding cash proceeds from Termination Capital Transactions, and borrowings made under the Credit Facilities); and

(b) any reduction with respect to such quarter in a cash reserve previously established pursuant to clause (2)(b) below (either by reversal or utilization) from the level of such reserve at the end of the prior quarter;

(2) less the sum of:

(a) all cash disbursements of the Partnership during such quarter, including, without limitation, disbursements for operating expenses, taxes, if any, debt service (including, without limitation, the payment of principal, premium and interest), redemption of Capital Stock of the Partnership, capital expenditures, contributions, if any, to a Subsidiary and cash distributions to partners of the Partnership (but only to the extent that such cash distributions to partners exceed Available Cash for the immediately preceding quarter); and

(b) any cash reserves established with respect to such quarter, and any increase with respect to such quarter in a cash reserve previously established pursuant to this clause (2)(b) from the level of such reserve at the end of the prior quarter, in such amounts as the General Partner determines in its reasonable discretion to be necessary or appropriate (i) to provide for the proper conduct of the business of the Partnership (including, without limitation, reserves for future capital expenditures), (ii) to provide funds for distributions with respect to Capital Stock of the Partnership in respect of any one or more of the next four quarters or (iii) because the distribution of such amounts would be prohibited by applicable law or by any loan agreement, security agreement, mortgage, debt instrument or other agreement or obligation to which the Partnership is a party or by which it is bound or its assets are subject;

(3) plus the lesser of (a) an amount as calculated in accordance with clauses (1) and (2) above for the Partnership or its Restricted Subsidiaries for the first 45 days of the quarter during which such Restricted Payment is made (rather than the quarter for which clauses (1) and (2) were calculated) and (b) an amount of working capital Indebtedness that the Partnership or its Restricted Subsidiaries could have incurred on or before the 45th day after the last day of the quarter used to calculate clauses (1) and (2) above;

provided, however, that Available Cash attributable to any Restricted Subsidiary of the Partnership will be excluded to the extent dividends or distributions of Available Cash by the Restricted Subsidiary are not at the date of determination permitted by the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or other regulation.

Notwithstanding the foregoing, (x) disbursements (including, without limitation, contributions to a Subsidiary or disbursements on behalf of a Subsidiary) made or reserves established, increased or reduced after the end of any quarter but on or before the date on which any Restricted Payment requiring a determination of Available Cash for such quarter is made shall be deemed to have been made, established, increased or reduced, for purposes of determining Available Cash, with respect to such quarter if the General Partner so determines, and (y) "Available Cash" shall not include any cash receipts or reductions in reserves or take into account any disbursements made or reserves established in each case after the date of liquidation of the Partnership. Taxes paid by the Partnership on behalf of, or amounts withheld with respect to, all or less than all of the partners shall not be considered cash disbursements of the Partnership that reduce Available Cash, but the payment or withholding thereof shall be deemed to be a distribution of Available Cash to the partners. Alternatively, in the discretion of the General Partner, such taxes (if pertaining to all partners) may be considered to be cash disbursements of the Partnership which reduce Available Cash, but the payment or withholding thereof shall not be deemed to be a distribution of Available Cash to such partners.

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

"Beneficial Owner" has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the Exchange Act, except that in calculating the beneficial ownership of any particular "Person" (as that term is used in Section 13(d)(3) of the Exchange Act), such "Person" will be deemed to have beneficial ownership of all securities that such "Person" has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only upon the occurrence of a subsequent condition. The terms "Beneficially Owns" and "Beneficially Owned" have a corresponding meaning.

"Board of Directors" means:

(1) with respect to a corporation, the board of directors of the corporation;

(2) with respect to a partnership, the Board of Directors of the general partner of the partnership; and

(3) with respect to any other Person, the board or committee of such Person serving a similar function.

"Borrowing Base" means, as of any date, an amount equal to:

(1) 80% of the face amount of all accounts receivable owned by the Partnership and its Subsidiaries as of the end of the most recent month preceding such date that were not more than 90 days past due; plus

(2) 70% of the value of all inventory owned by the Partnership and its Subsidiaries as of the end of the most recent month preceding such date,

in each case, calculated on a consolidated basis and in accordance with GAAP.

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

"Capital Stock" means of any Person any capital stock, partnership interest, membership interest, or equity interest of any kind.

"Change of Control" means

(1) the sale, lease, conveyance or other disposition of all or substantially all of the assets of the Partnership to any entity other than to a Related Party;

(2) the liquidation or dissolution of the Partnership or the General Partner, or a successor to the General Partner; or

(3) any transaction or series of transactions that results in a Person other than a Related Party beneficially owning in the aggregate, directly or indirectly, more than 35% of the voting stock of the General Partner or a successor to the General Partner and such percentage is more than the percentage of voting stock that is owned by the Related Party or a successor to the Related Party.

"Consolidated Cash Flow Available for Fixed Charges" means, with respect to the Partnership and its Restricted Subsidiaries, for any period, the sum of, without duplication, the amounts for the period, taken as single accounting, of:

(1) Consolidated Net Income;

(2) Consolidated Non-cash Charges;

(3) Consolidated Interest Expense; and

(4) Consolidated Income Tax Expense.

"Consolidated Fixed Charge Coverage Ratio" means, with respect to the Partnership and its Restricted Subsidiaries, the ratio of (y) the aggregate amount of Consolidated Cash Flow Available for Fixed Charges of the Person for the four full fiscal quarters immediately preceding the date of the transaction (the "Transaction Date") giving rise to the need to calculate the Consolidated Fixed Charge Coverage Ratio (the "Four Quarter Period"), to (z) the aggregate amount of Consolidated Fixed Charges of the Person for the Four Quarter Period. In addition to and without limitation of the foregoing, for purposes of this definition, "Consolidated Cash Flow Available for Fixed Charges" and "Consolidated Fixed Charges" shall be calculated after giving effect on a pro forma basis for the period of the calculation to, without duplication:

(1) the incurrence or repayment of any Indebtedness, excluding the incurrence of revolving credit borrowings and repayments of revolving credit borrowings (other than the incurrence and repayment of any revolving credit borrowings the proceeds of which are used for Asset Acquisitions or Growth Related Capital Expenditures of the Partnership or any of its Restricted Subsidiaries and, in the case of any incurrence or revolving credit borrowings, the application of the net proceeds thereof) during the period commencing on the first day of the Four Quarter Period to and including the Transaction Date (the "Reference Period"), including, without limitation, the incurrence of the Indebtedness giving rise to the need to make the calculation (and the application of the net proceeds thereof), as if the incurrence (and application) occurred on the first day of the Reference Period; and

(2) any Asset Sales or Asset Acquisitions (including, without limitation, any Asset Acquisition giving rise to the need to make the calculation as a result of the Partnership or one of its Restricted Subsidiaries, including any Person who becomes a Restricted Subsidiary as a result of the Asset Acquisition, incurring, assuming or otherwise being liable for Acquired Indebtedness) occurring during the Reference Period, as if the Asset Sale or Asset Acquisition occurred on the first day of the Reference Period; provided, however, that:

(a) Consolidated Fixed Charges will be reduced by amounts attributable to businesses or assets that are so disposed of only to the extent that the obligations giving rise to such Consolidated Fixed Charges would no longer be obligations contributing to the Consolidated Fixed Charges subsequent to the date of determination of the Consolidated Fixed Charge Coverage Ratio;

(b) Consolidated Cash Flow Available for Fixed Charges generated by an acquired business or asset shall be determined by the actual gross profit, which is equal to revenues minus cost of goods sold, of the acquired business or asset during the immediately available preceding four full fiscal quarters occurring in the Reference Period, minus the pro forma expenses that would have been incurred by the Partnership and its Restricted Subsidiaries in the operation of the acquired business or asset during the period computed on the basis of personnel expenses for employees retained or to be retained by the Partnership and its Restricted Subsidiaries in the operation of the acquired business or asset and non-personnel costs and expenses incurred by or to be incurred by the Partnership and its Restricted Subsidiaries based upon the operation of the Partnership's business, all as determined in good faith by an authorized financial officer of the General Partner; and

(c) Consolidated Cash Flow Available for Fixed Charges shall not include the impact of any nonrecurring cash charges incurred in connection with a restructuring, reorganization or other similar transaction, as determined in good faith by an authorized financial officer of the General Partner.

Furthermore, subject to the following paragraph, in calculating "Consolidated Fixed Charges" for purposes of determining the "Consolidated Fixed Charge Coverage Ratio":

(1) interest on outstanding Indebtedness, other than Indebtedness referred to in the point below, determined on a fluctuating basis as of the last day of the Four Quarter Period and which will continue to be so determined thereafter shall be deemed to have accrued at a fixed rate per annum equal to the rate of interest on such Indebtedness in effect on that date;

(2) only actual interest payments associated with Indebtedness incurred in accordance with clause (4) of the definition of Permitted Indebtedness and all Permitted Refinancing Indebtedness in respect thereof, during the Four Quarter Period shall be included in the calculation; and

(3) if interest on any Indebtedness actually incurred on the date may optionally be determined at an interest rate based upon a factor of a prime or similar rate, a eurocurrency interbank offered rate, or other rates, then the interest rate in effect on the last day of the Four Quarter Period will be deemed to have been in effect during the period.

"Consolidated Fixed Charges" means, with respect to the Partnership and its Restricted Subsidiaries for any period, the sum of, without duplication:

(1) the amounts for such period of Consolidated Interest Expense; and

(2) the product of:

(a) the aggregate amount of dividends and other distributions paid or accrued during the period in respect of Preferred Stock and Redeemable Capital Stock of the Partnership and its Restricted Subsidiaries on a consolidated basis; and

(b) a fraction, the numerator of which is one and the denominator of which is one less the then applicable current combined federal, state and local statutory tax rate, expressed as a percentage.

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

"Consolidated Interest Expense" means, with respect to the Partnership and its Restricted Subsidiaries, for any period, without duplication, the sum of:

(1) the interest expense of the Partnership and its Restricted Subsidiaries for the period as determined on a consolidated basis in accordance with GAAP, including, without limitation:

(2) any amortization of debt discount;

(3) the net cost under Interest Rate Agreements;

(4) the interest portion of any deferred payment obligation;

(5) all commissions, discounts and other fees and charges owed with respect to letters of credit and bankers' acceptance financing;

(6) all accrued interest for all instruments evidencing Indebtedness; and

(7) the interest component of Capital Leases paid or accrued or scheduled to be paid or accrued by the Partnership and its Restricted Subsidiaries during the period as determined on a consolidated basis in accordance with GAAP.

"Consolidated Net Income" means the net income of the Partnership and its Restricted Subsidiaries, as determined on a consolidated basis in accordance with GAAP and as adjusted to exclude:

(1) net after-tax extraordinary gains or losses;

(2) net after-tax gains or losses attributable to Asset Sales or sales of receivables under any Accounts Receivable Securitization;

(3) the net income or loss of any Person which is not a Restricted Subsidiary and which is accounted for by the equity method of accounting; provided, that Consolidated Net Income shall include the amount of dividends or distributions actually paid to the Partnership or any Restricted Subsidiary;

(4) the net income or loss prior to the date of acquisition of any Person combined with the Partnership or any Restricted Subsidiary in a pooling of interest;

(5) the net income of any Restricted Subsidiary to the extent that dividends or distributions of that net income are not at the date of determination permitted by the terms of its charter or any judgment, decree, order, statute, rule or other regulation; and

(6) the cumulative effect of any changes in accounting principles.

"Consolidated Non-Cash Charges" means, with respect to the Partnership and its Restricted Subsidiaries for any period, the aggregate (1) depreciation, (2) amortization, (3) non-cash employee compensation expenses of the Partnership or its Restricted Subsidiaries for such period, and (4) any non-cash charges resulting from writedowns of non-current assets, in each case which reduces the Consolidated Net Income of the Partnership and its Restricted Subsidiaries for the period, as determined on a consolidated basis in accordance with GAAP.

"Corporate Trust Office of the Trustee" will be at the address of the Trustee specified in Section 11.02 hereof or such other address as to which the Trustee may give notice to the Issuers.

"Credit Agreement" means that Fourth Amended and Restated Credit Agreement, dated as of December 10, 2002, among the Partnership, the General Partner, Bank of America N.A. (formerly known as Bank of America National Trust and Savings Association), as agent, and the other financial institutions party thereto.

"Credit Facilities" means, one or more debt facilities (including, without limitation, the facilities evidenced by the Credit Agreement) or commercial paper facilities, in each case with banks or other institutional lenders providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such lenders or to special purpose entities formed to borrow from such lenders against such receivables) or letters of credit, in each case, as amended, restated, modified, renewed, refunded, replaced or refinanced in whole or in part from time to time.

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

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

"Definitive Note" means a certificated Note registered in the name of the Holder thereof and issued in accordance with Section 2.06 hereof, substantially in the form of Exhibit A hereto except that such Note shall not bear the Global Note Legend and shall not have the "Schedule of Exchanges of Interests in the Global Note" attached thereto.

"Depositary" means, with respect to the 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 Notes, and any and all successors thereto appointed as depositary hereunder and having become such pursuant to the applicable provision of this Indenture.

"Designation Amount" means, with respect to the designation of a Restricted Subsidiary or a newly acquired or formed Subsidiary as an Unrestricted Subsidiary, an amount equal to the sum of:

(1) the net book value of all assets of the Subsidiary at the time of the designation in the case of a Restricted Subsidiary; and

(2) the cost of acquisition or formation in the case of a newly acquired or formed Subsidiary.

"Equity Offering" means a public offering or private placement of partnership interests (other than interests that are mandatorily redeemable) of:

(1) any entity that directly or indirectly owns equity interests in the Partnership, to the extent the net proceeds are contributed to the Partnership;

(2) any Subsidiary of the Partnership to the extent the net proceeds are distributed, paid, lent or otherwise transferred to the Partnership that results in the net proceeds to the Partnership of at least $20 million; or

(3) the Partnership.

A private placement of partnership interests will not be deemed an Equity Offering unless net proceeds of at least $20 million are received.

"Escrow Account" has the meaning set forth in the Escrow and Security Agreement.

"Escrow Property" has the meaning set forth in the Escrow and Security Agreement.

"Euroclear" means Euroclear Bank, S.A./N.V., as operator of the Euroclear system.

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

"Exchange Notes" means the Notes issued in the Exchange Offer pursuant to Section 2.06(f) hereof.

"Existing Notes" means the Partnership's (1) $109,000,000 principal amount of 6.99% Senior Notes, Series A, due August 1, 2005, (2) $37,000,000 principal amount of 7.08% Senior Notes, Series B, due August 1, 2006, (3) $52,000,000 principal amount of 7.12% Senior Notes, Series C, due August 1, 2008, (4) $82,000,000 principal amount of 7.24% Senior Notes, Series D, due August 1, 2010, (5) $70,000,000 principal amount of 7.42% Senior Notes, Series E, due August 1, 2013, (6) $21,000,000 principal amount of 8.68% Senior Notes, Series A, due August 1, 2006, (7) $90,000,000 principal amount of 8.78% Senior Notes, Series B, due August 1, 2007, and (8) $73,000,000 principal amount of 8.87% Senior Notes, Series C, due August 1, 2009.

"Exchange Offer" has the meaning set forth in the Registration Rights Agreement.

"Exchange Offer Registration Statement" has the meaning set forth in the Registration Rights Agreement.

"Ferrellgas Partners" means Ferrellgas Partners, L.P.

"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 Stock of the Person owning such assets) in a permitted line of business, 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, in each case, which are in effect on the date of this Indenture.

"General Partner" means Ferrellgas, Inc.

"Global Notes" means, individually and collectively, each of the Restricted Global Notes and the Unrestricted Global Notes deposited with or on behalf of and registered in the name of the Depositary or its nominee, substantially in the form of Exhibit A1 hereto and that bears the Global Note Legend and that has the "Schedule of Exchanges of Interests in the Global Note" attached thereto, issued in accordance with Section 2.01, 2.06(b)(3), 2.06(b)(4), 2.06(d)(2) or 2.06(g)(2) hereof.

"Global Note Legend" means the legend set forth in Section 2.06(g)(2), which is required to be placed on all Global Notes issued under this Indenture.

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

"Growth Related Capital Expenditures" means, with respect to any Person, all capital expenditures by such Person made to improve or enhance the existing capital assets or to increase the customer base of such Person or to acquire or construct new capital assets (but excluding capital expenditures made to maintain, up to the level thereof that existed at the time of such expenditure, the operating capacity of the capital assets of such Person as such assets existed at the time of such expenditure).

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

"IAI Global Note" means a Global Note substantially in the form of Exhibit A1 hereto bearing the Global Note Legend and the Private Placement Legend and deposited with or on behalf of and registered in the name of the Depositary or its nominee that will be issued in a denomination equal to the outstanding principal amount of the Notes sold to Institutional Accredited Investors.

"Indebtedness" means, as applied to any Person, without duplication:

(1) (a) any indebtedness for borrowed money and (b) all obligations evidenced by any (i) bond, note, debenture or other similar instrument or (ii) letter of credit, or reimbursement agreements in respect thereof, but only for any drawings that are not reimbursed within five Business Days after the date of such drawings, which in each case the Person has, directly or indirectly, created, incurred or assumed;

(2) any indebtedness for borrowed money and all obligations evidenced by any bond, note, debenture or other similar instrument secured by any Lien in respect of property owned by the Person, whether or not the Person has assumed or become liable for the payment of the indebtedness; provided, that the amount of the indebtedness, if the Person has not assumed the same or become liable therefor, shall in no event be deemed to be greater than the fair market value from time to time, as determined in good faith by the Person of the property subject to the Lien;

(3) any indebtedness, whether or not for borrowed money (excluding trade payables and accrued expenses arising in the ordinary course of business) with respect to which the Person has become directly or indirectly liable and which represents the deferred purchase price, or a portion thereof, or has been incurred to finance the purchase price, or a portion thereof, of any property or business acquired by, or service performed on behalf of, the Person, whether by purchase, consolidation, merger or otherwise;

(4) the principal component of any obligations under Capital Leases to the extent the obligations would, in accordance with GAAP, appear on the balance sheet of the Person;

(5) all Attributable Debt of the Person in respect of Sale and Leaseback Transactions not involving a Capital Lease;

(6) any indebtedness of any other Person of the character referred to in the foregoing clauses (1)-(5) of this definition with respect to which the Person whose indebtedness is being determined has become liable by way of a guarantee; and

(7) all Redeemable Capital Stock of the Person valued at the greater of its voluntary or involuntary maximum fixed repurchase price plus accrued dividends.

For purposes hereof, the "maximum fixed repurchase price" of any Redeemable Capital Stock which does not have a fixed repurchase price shall be calculated in accordance with the terms of the Redeemable Capital Stock as if it were purchased on any date on which Indebtedness shall be required to be determined pursuant to this Indenture and if the price is based upon, or measured by, the fair market value of the Redeemable Capital Stock, the fair market value shall be determined in good faith by the Board of Directors of the issuer of the Redeemable Capital Stock. For purposes hereof, the term "Indebtedness" shall not include (x) accrual of interest, the accretion of accreted value and the payment of interest or any other similar incurrence by the Partnership or its Restricted Subsidiaries related to Indebtedness otherwise permitted in this Indenture, (y) Indebtedness under any hedging arrangement which provides for the right or obligation to purchase, sell or deliver any currency, commodity or security at a future date for a specified price entered into to protect such Person from fluctuations in prices or rates, including currencies, interest rates, commodity prices, and securities prices, including without limitation indebtedness under any interest rate or commodity price swap agreement, interest rate cap agreement, interest rate collar agreement or any forward sales arrangements, calls, options, swaps, or other similar transactions or any combination thereof, including, or (z) any Accounts Receivable Securitization.

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

"Indirect Participant" means a Person who holds a beneficial interest in a Global Note through a Participant.

"Initial Notes" means the first $250,000,000 aggregate principal amount of Notes issued under this Indenture on the date hereof.

"Initial Purchasers" means Credit Suisse First Boston LLC, Banc of America Securities LLC, ABN AMRO Incorporated, Banc One Capital Markets, Inc., BNP Paribas Securities Corp., Piper Jaffray & Co., SG Cowen Securities Corporation, and Wells Fargo Securities, LLC.

"Interim Capital Transactions" means (1) borrowings, refinancings or refundings of Indebtedness and sales of debt securities (other than for working capital purposes and other than for items purchased on open account in the ordinary course of business) by the Partnership, (2) sales of Capital Stock of the Partnership by the Partnership and (3) sales or other voluntary or involuntary dispositions of any assets of the Partnership (other than (x) sales or other dispositions of inventory in the ordinary course of business, (y) sales or other dispositions of other current assets including, without limitation, receivables and accounts and (z) sales or other dispositions of assets as a part of normal retirements or replacements), in each case prior to the commencement of the dissolution and liquidation of the Partnership.

"Investment" means as applied to any Person:

(1) any direct or indirect purchase or other acquisition by the Person of stock or other securities of any other Person; or

(2) any direct or indirect loan, advance or capital contribution by the Person to any other Person and any other item which would be classified as an "investment" on a balance sheet of the Person prepared in accordance with GAAP, including without limitation any direct or indirect contribution by the Person of property or assets to a joint venture, partnership or other business entity in which the Person retains an interest, it being understood that a direct or indirect purchase or other acquisition by the Person of assets of any other Person, other than stock or other securities, shall not constitute an "Investment" for purposes of this Indenture.

The amount classified as Investments made during any period will be the aggregate cost to the Partnership and its Restricted Subsidiaries of all the Investments made during the period, determined in accordance with GAAP, but without regard to unrealized increases or decreases in value, or write-ups, write-downs or write-offs, of the Investments and without regard to the existence of any undistributed earnings or accrued interest with respect thereto accrued after the respective dates on which the Investments were made, less any net return of capital realized during the period upon the sale, repayment or other liquidation of the Investments, determined in accordance with GAAP, but without regard to any amounts received during the period as earnings (in the form of dividends not constituting a return of capital, interest or otherwise) on the Investments or as loans from any Person in whom the Investments have been made.

"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 on such payment for the intervening period.

"Lien" means, with respect to any asset, any mortgage, lien (statutory or otherwise), pledge, charge, security interest, hypothecation, assignment for security or other encumbrance of any kind in respect of such asset. A Person shall be deemed to own subject to a Lien any asset which such Person has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement.

"Net Amount of Unrestricted Investment" means, without duplication, the sum of:

(1) the aggregate amount of all Investments made after the date of this Indenture pursuant to clause (3) of the definition of Permitted Investment hereto, computed as provided in the last sentence of the definition of Investment herein; and

(2) the aggregate of all Designation Amounts in connection with the designation of Unrestricted Subsidiaries, less all Designation Amounts in respect of Unrestricted Subsidiaries which have been designated as Restricted Subsidiaries and otherwise reduced in a manner consistent with the provisions of the last sentence of the definition of Investment herein.

"Net Proceeds" means, with respect to any asset sale or sale of Capital Stock, the proceeds therefrom in the form of cash or cash equivalents including payments in respect of deferred payment obligations when received in the form of cash or cash equivalents, except to the extent that the deferred payment obligations are financed or sold with recourse to the Partnership or any of its Restricted Subsidiaries, net of:

(1) brokerage commissions and other fees and expenses related to the Asset Sale, including, without limitation, fees and expenses of legal counsel and accountants and fees, expenses, discounts or commissions of underwriters, placement agents and investment bankers;

(2) provisions for all taxes payable as a result of the Asset Sale;

(3) amounts required to be paid to any Person, other than the Partnership or any Restricted Subsidiary of the Partnership, owning a beneficial interest in the assets subject to the Asset Sale;

(4) appropriate amounts to be provided by the Partnership or any Restricted Subsidiary of the Partnership, as the case may be, as a reserve required in accordance with GAAP against any liabilities associated with the Asset Sale and retained by the Partnership or any Restricted Subsidiary of the Partnership, as the case may be, after the Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with the Asset Sale; and

(5) amounts applied to the repayment of Indebtedness in connection with the asset or assets acquired in the Asset Sale, including any transaction costs and expenses associated therewith and any make-whole or other premium owed in connection with such repayment.

"Notes" has the meaning assigned to it in the preamble to this Indenture. The Initial Notes, the Additional Notes and the Exchange Notes shall be treated as a single class for all purposes under this Indenture, and unless the context otherwise requires, all references to the Notes shall include the Initial Notes, any Additional Notes and the Exchange Notes.

"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.

"Officers' Certificate" means a certificate signed on behalf of the Issuers by two Officers of the Issuers, one of whom must be the principal executive officer, the principal financial officer, the treasurer or the principal accounting officer of the Issuers, that meets the requirements of Section 11.05 hereof.

"Opinion of Counsel" means an opinion from legal counsel who is reasonably acceptable to the Trustee, that meets the requirements of Section 11.05 hereof. The counsel may be an employee of or counsel to the Issuers, any Subsidiary of the Issuers or the Trustee.

"Participant" means, with respect to the Depositary, a Person who has an account with the Depositary.

"Partnership" means Ferrellgas, L.P., without its consolidated subsidiaries.

"Permitted Investments" means any of the following:

(1) Investments made or owned by the Partnership or any Restricted Subsidiary in:

(a) marketable obligations issued or unconditionally guaranteed by the United States, or issued by any agency thereof and backed by the full faith and credit of the United States, in each case maturing one year or less from the date of acquisition thereof;

(b) marketable direct obligations issued by any state of the United States or any political subdivision of any such state or any public instrumentality thereof maturing within one year from the date of acquisition thereof and having as at such date the highest rating obtainable from either Standard & Poor's Ratings Group ("S&P") and its successors or Moody's Investors Service, Inc. ("Moody's") and its successors;

(c) commercial paper maturing no more than 270 days from the date of creation thereof and having as at the date of acquisition thereof one of the two highest ratings obtainable from either S&P or Moody's;

(d) certificates of deposit maturing one year or less from the date of acquisition thereof issued by commercial banks incorporated under the laws of the United States or any state thereof or the District of Columbia or Canada;

(e) the commercial paper or other short term unsecured debt obligations of which are as at such date rated either "A-2" or better (or comparably if the rating system is changed) by S&P or "Prime-2" or better (or comparably if the rating system is changed) by Moody's;

(f) the long-term debt obligations of which are, as at such date, rated either "A" or better (or comparably if the rating system is changed) by either S&P or Moody's ("Permitted Banks");

(g) eurodollar time deposits having a maturity of less than 270 days from the date of acquisition thereof purchased directly from any Permitted Bank;

(h) bankers' acceptances eligible for rediscount under requirements of the Board of Governors of the Federal Reserve System and accepted by Permitted Banks; and

(i) obligations of the type described in clauses (a) through (e) above purchased from a securities dealer designated as a "primary dealer" by the Federal Reserve Bank of New York or from a Permitted Bank as counterparty to a written repurchase agreement obligating such counterparty to repurchase such obligations not later than 14 days after the purchase thereof and which provides that the obligations which are the subject thereof are held for the benefit of the Partnership or a Restricted Subsidiary by a custodian which is a Permitted Bank and which is not a counterparty to the repurchase agreement in question;

(2) the acquisition by the Partnership or any Restricted Subsidiary of Capital Stock or other ownership interests, whether in a single transaction or in a series of related transactions, of a Person located in the United States, Mexico or Canada and engaged in substantially the same business as the Partnership such that, upon the completion of such transaction or series of transactions, the Person becomes a Restricted Subsidiary;

(3) the making or ownership by the Partnership or any Restricted Subsidiary of Investments (in addition to any other Permitted Investments) in any Person incorporated or otherwise formed pursuant to the laws of the United States, Mexico or Canada or any state thereof which is engaged in the United States, Mexico or Canada; provided, that the aggregate amount of all such Investments made by the Partnership and its Restricted Subsidiaries following the date of this Indenture and outstanding pursuant to this third clause shall not at any date of determination exceed 7.5% of Total Assets;

(4) the making or ownership by the Partnership or any Restricted Subsidiary of Investments:

(a) arising out of loans and advances to employees incurred in the ordinary course of business;

(b) arising out of extensions of trade credit or advances to third parties in the ordinary course of business; or

(c) acquired by reason of the exercise of customary creditors' rights upon default or pursuant to the bankruptcy, insolvency or reorganization of a debtor;

(5) the creation or incurrence of liability by the Partnership or any Restricted Subsidiary, with respect to any guarantee constituting an obligation, warranty or indemnity, not guaranteeing Indebtedness of any Person, which is undertaken or made in the ordinary course of business;

(6) the creation or incurrence of liability by the Partnership or any Restricted Subsidiary with respect to any hedging agreements or arrangements;

(7) the making by any Restricted Subsidiary of Investments in the Partnership or another Restricted Subsidiary and the making by the Partnership of Investments in any Restricted Subsidiary;

(8) the present value, determined on the basis of the implicit interest rate, of all basic rental obligations under all synthetic leases of the Partnership or any Restricted Subsidiary; and

(9) the creation or incurrence of liability by the Partnership or any Restricted Subsidiary or the making or ownership by the Partnership or any Restricted Subsidiary of Investments in any Person with respect to any Accounts Receivable Securitization.

"Permitted Liens" means any of the following:

(1) Liens for taxes, assessments or other governmental charges, the payment of which is not yet due or the payment of which is being contested in good faith by appropriate proceedings promptly initiated and diligently conducted and as to which reserves or other appropriate provision, if any, as shall be required by GAAP, shall have been made therefor and be adequate in the good faith judgment of the obligor;

(2) Liens of lessors, landlords and carriers, vendors, warehousemen, mechanics, materialmen, repairmen and other like Liens incurred in the ordinary course of business for sums not yet due or the payment of which is being contested in good faith by appropriate proceedings promptly initiated and diligently conducted and as to which reserves or other appropriate provisions, if any, as shall be required by GAAP, shall have been made therefor and be adequate in the good faith judgment of the obligor, in each case:

(a) not incurred or made in connection with the borrowing of money, the obtaining of advances or credit or the payment of the deferred purchase price of property; or

(b) incurred in the ordinary course of business securing the unpaid purchase price of property or services constituting current accounts payable;

(3) Liens, other than any Lien imposed by the Employee Retirement Income Security Act of 1974, as may be amended from time to time, incurred or deposits made in the ordinary course of business:

(a) in connection with workers' compensation, unemployment insurance and other types of social security; or

(b) to secure or to obtain letters of credit that secure the performance of tenders, statutory obligations, surety and appeal bonds, bids, leases, performance bonds, purchase, construction or sales contracts and other similar obligations, in each case not incurred or made in connection with the borrowing of money;

(4) other deposits made to secure liability to insurance carriers under insurance or self-insurance arrangements;

(5) Liens securing reimbursement obligations under letters of credit, provided in each case that such Liens cover only the title documents and related goods and any proceeds thereof covered by the related letter of credit;

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

(7) leases or subleases granted to others, easements, rights-of-way, restrictions and other similar charges or encumbrances, which, in each case either are granted, entered into or created in the ordinary course of the business of the Partnership or any Restricted Subsidiary or do not materially impair the value or intended use of the property covered thereby;

(8) Liens on property or assets of any Restricted Subsidiary securing Indebtedness of the Restricted Subsidiary owing to the Partnership or a Restricted Subsidiary;

(9) Liens on assets of the Partnership or any Restricted Subsidiary existing on the date of this Indenture;

(10) Liens on personal property leased under leases entered into by the Partnership or its Restricted Subsidiaries which are accounted for as operating leases in accordance with GAAP;

(11) Liens securing Indebtedness arising under an Accounts Receivable Securitization (including the filing of any related financing statements naming the Partnership or any Restricted Subsidiary as the debtor thereunder in connection with the sale of accounts receivable by the Partnership, Ferrellgas, L.P. or any Restricted Subsidiary to an SPE in connection with any such permitted Accounts Receivable Securitization);

(12) Liens securing Indebtedness incurred in accordance with:

(a) clauses (3) and (6) of the definition of Permitted Indebtedness; and

(b) Indebtedness otherwise permitted to be incurred under Section 4.09 hereof to the extent incurred:

(i) to finance the making of expenditures for the improvement or repair (to the extent the improvements and repairs may be capitalized on the books of the Partnership and the Restricted Subsidiaries in accordance with GAAP) of, or additions including additions by way of acquisitions of businesses and related assets to, the assets and property of the Partnership and its Restricted Subsidiaries; or

(ii) by assumption in connection with additions including additions by way of acquisition or capital contributions of businesses and related assets to the property and assets of the Partnership and its Restricted Subsidiaries;

provided, that, in the case of Indebtedness incurred in accordance with clauses (i) and (ii) above, the principal amount of the Indebtedness does not exceed the lesser of the cost to the Partnership and its Restricted Subsidiaries of the additional property or assets and the fair market value of the additional property or assets at the time of the acquisition thereof, as determined in good faith by an authorized financial officer of the General Partner;

(13) Liens existing on any property of any Person at the time it becomes a Subsidiary of the Partnership, or existing at the time of acquisition upon any property acquired by the Partnership or any Subsidiary through purchase, merger or consolidation or otherwise, whether or not assumed by the Partnership or the Subsidiary, or created to secure Indebtedness incurred to pay all or any part of the purchase price (a "Purchase Money Lien") of property including, without limitation, Capital Stock and other securities acquired by the Partnership or a Restricted Subsidiary; provided, that:

(a) the Lien shall be confined solely to the item or items of property and, if required by the terms of the instrument originally creating the Lien, other property which is an improvement to or is acquired for use specifically in connection with the acquired property;

(b) in the case of a Purchase Money Lien, the principal amount of the Indebtedness secured by the Purchase Money Lien shall at no time exceed an amount equal to the lesser of:

(A) the cost to the Partnership and the Restricted Subsidiaries of the property; and

(B) the fair market value of the property at the time of the acquisition thereof as determined in good faith by an authorized financial officer of the General Partner;

(c) the Purchase Money Lien shall be created not later than 360 days after the acquisition of the property; and

(d) the Lien, other than a Purchase Money Lien, shall not have been created or assumed in contemplation of the Person's becoming a Subsidiary of the Partnership or the acquisition of property by the Partnership or any Subsidiary;

(14) easements, exceptions or reservations in any property of the Partnership or any Restricted Subsidiary granted or reserved for the purpose of pipelines, roads, the removal of oil, gas, coal or other minerals, and other like purposes, or for the joint or common use of real property, facilities and equipment, which are incidental to, and do not materially interfere with, the ordinary conduct of the business of the Partnership or any Restricted Subsidiary;

(15) Liens arising from or constituting permitted encumbrances under the agreements and instruments securing the obligations under the Existing Notes and the Credit Agreement; and

(16) any Lien renewing or extending any Lien permitted by clauses (9) through (13) and (15) above; provided, that, the principal amount of the Indebtedness secured by any such Lien shall not exceed the principal amount of the Indebtedness outstanding immediately prior to the renewal or extension of the Lien, and no assets encumbered by the Lien other than the assets encumbered immediately prior to the renewal or extension shall be encumbered thereby.

"Permitted Refinancing Indebtedness" means Indebtedness incurred by the Partnership or any Restricted Subsidiary to substantially and concurrently (excluding any notice period on redemptions) repay, refund, renew, replace, extend or refinance, in whole or in part, any Permitted Indebtedness of the Partnership or any Restricted Subsidiary or any other Indebtedness incurred by the Partnership or any Restricted Subsidiary pursuant to Section 4.09, to the extent:

(1) the principal amount of the Permitted Refinancing Indebtedness does not exceed the principal or accreted amount plus the amount of accrued and unpaid interest of the Indebtedness so repaid, refunded, renewed, replaced, extended or refinanced (plus the amount of all expenses and premiums incurred in connection therewith);

(2) with respect to the repayment, refunding, renewal, replacement, extension or refinancing of the Issuers' Indebtedness, the Permitted Refinancing Indebtedness ranks no more favorably in right of payment with respect to the Notes than the Indebtedness so repaid, refunded, renewed, replaced, extended or refinanced; and

(3) with respect to the repayment, refunding, renewal, replacement, extension or refinancing of the Issuers' Indebtedness, the Permitted Refinancing Indebtedness has a Weighted Average Life to Stated Maturity and stated maturity equal to, or greater than, and has no fixed mandatory redemption or sinking fund requirement in an amount greater than or at a time prior to the amounts set forth in, the Indebtedness so repaid, refunded, renewed, replaced, extended or refinanced;

provided, however, that Permitted Refinancing Indebtedness shall not include Indebtedness incurred by a Restricted Subsidiary to repay, refund, renew, replace, extend or refinance Indebtedness of the Partnership.

"Person" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company or government or other entity.

"Preferred Stock," as applied to the Capital Stock of any Person, means Capital Stock of any class or classes (however designated), which is preferred as to the payment of distributions, dividends, or upon any voluntary or involuntary liquidation or dissolution of such Person, over shares or units of Capital Stock of any other class of such Person; provided, that any limited partnership interest of the Partnership will not be considered Preferred Stock.

"Principal" means James E. Ferrell.

"Private Placement Legend" means the legend set forth in Section 2.06(g)(1) hereof to be placed on all Notes issued under this Indenture except where otherwise permitted by the provisions of this Indenture.

"QIB" means a "qualified institutional buyer" as defined in Rule 144A.

"Redeemable Capital Stock" means any shares of any class or series of Capital Stock, that, either by the terms thereof, by the terms of any security into which it is convertible or exchangeable or by contract or otherwise, is or upon the happening of an event or passage of time would be, required to be redeemed prior to the stated maturity of the principal of the Notes or is redeemable at the option of the holder thereof at any time prior to the stated maturity of the principal of the Notes, or is convertible into or exchangeable for debt securities at any time prior to the stated maturity of the principal of the Notes.

"Registration Rights Agreement" means the Registration Rights Agreement, dated as of April 20, 2004, among the Escrow LLC, Escrow Finance Corp. and the Initial Purchasers, and on and after the Merger Date, Ferrellgas, L.P. and Finance Corp., as such agreement may be amended, modified or supplemented from time to time.

"Regulation S" means Regulation S promulgated under the Securities Act.

"Regulation S Global Note" means a Regulation S Temporary Global Note or Regulation S Permanent Global Note, as appropriate.

"Regulation S Permanent Global Note" means a permanent Global Note in the form of Exhibit A1 hereto bearing the Global Note Legend and the Private Placement Legend and deposited with or on behalf of and registered in the name of the Depositary or its nominee, issued in a denomination equal to the outstanding principal amount of the Regulation S Temporary Global Note upon expiration of the Restricted Period.

"Regulation S Temporary Global Note" means a temporary Global Note in the form of Exhibit A2 hereto deposited with or on behalf of and registered in the name of the Depositary or its nominee, issued in a denomination equal to the outstanding principal amount of the Notes initially sold in reliance on Rule 903 of Regulation S.

"Related Party" means any of the following:

(1) any immediate family member or lineal descendant of the Principal;

(2) any trust, corporation, partnership or other entity, the beneficiaries, stockholders, partners, owners or Persons beneficially holding an 80% or more controlling interest of which consist of any one or more Principals and/or such other Persons referred to in the immediately preceding clause (1);

(3) the Ferrell Companies, Inc. Employee Stock Ownership Trust ("FCI ESOT");

(4) any participant in the FCI ESOT whose account has been allocated shares of Ferrell Companies, Inc.;

(5) Ferrell Companies, Inc.; or

(6) any Subsidiary of Ferrell Companies, Inc.

"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 Period" means the 40-day distribution compliance period as defined in Regulation S.

"Restricted Subsidiary" means a Subsidiary of the Partnership, which, as of the date of determination, is not an Unrestricted Subsidiary of the Partnership.

"Rule 144" means Rule 144 promulgated under the Securities Act.

"Rule 144A" means Rule 144A promulgated under the Securities Act.

"Rule 903" means Rule 903 promulgated under the Securities Act.

"Rule 904" means Rule 904 promulgated under the Securities Act.

"Sale and Leaseback Transaction" means any arrangement (other than between the Partnership and a Restricted Subsidiary or between Restricted Subsidiaries) whereby property has been or will be disposed of by a transferor to another entity with the intent of taking back a lease on the property pursuant to which the rental payments are calculated to amortize the purchase price of the property over its life.

"SEC" means the Securities and Exchange Commission.

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

"Shelf Registration Statement" means the Shelf Registration Statement as defined in the Registration Rights Agreement.

"Significant Subsidiary" means any Subsidiary 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 of this Indenture.

"SPE" means any special purpose Unrestricted Subsidiary established in connection with any Accounts Receivable Securitization.

"Subsidiary" means, with respect to any specified Person:

(1) any corporation, association or other business entity of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees of the corporation, association or other business entity is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person (or a combination thereof); and

(2) any partnership (a) the sole general partner or the managing general partner of which is such Person or a Subsidiary of such Person or (b) the only general partners of which are that Person or one or more Subsidiaries of that Person (or any combination thereof).

"Termination Capital Transactions" means any sale, transfer or other disposition of property of the Partnership occurring upon or incident to the liquidation and winding up of the Partnership.

"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.

"Total Assets" means, as of any date of determination, the consolidated total assets of the Partnership and the Restricted Subsidiaries as would be shown on a consolidated balance sheet of the Partnership and the Restricted Subsidiaries prepared in accordance with GAAP as of that date.

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

"Unrestricted Global Note" means a permanent global Note substantially in the form of Exhibit A attached hereto that bears the Global Note Legend and that has the "Schedule of Exchanges of Interests in the Global Note" attached thereto, and that is deposited with or on behalf of and registered in the name of the Depositary.

"Unrestricted Definitive Note" means one or more Definitive Notes.

"Unrestricted Subsidiary" means (a) Ferrellgas Receivables, LLC, (b) R-4 Technical Center - North Carolina, LLC, (c) Uni-Asia, Ltd. and (d) any other Person (other than Finance Corp.) that is designated as such by the General Partner; provided, that no portion of the Indebtedness of such Person:

(1) is guaranteed by the Partnership or any Restricted Subsidiary;

(2) is recourse to or obligates the Partnership or any Restricted Subsidiary in any way; or

(3) subjects any property or assets of the Partnership or any Restricted Subsidiary, directly or indirectly, contingently or otherwise, to the satisfaction thereof.

Notwithstanding the foregoing, the Partnership or a Restricted Subsidiary may guarantee or agree to provide funds for the payment or maintenance of, or otherwise become liable with respect to Indebtedness of an Unrestricted Subsidiary, but only to the extent that the Partnership or a Restricted Subsidiary would be permitted to:

(1) make an Investment in the Unrestricted Subsidiary pursuant to the third clause of the definition of Permitted Investments; and

(2) incur the Indebtedness represented by the guarantee or agreement pursuant to Section 4.09(a) hereto. The Board of Directors may designate an Unrestricted Subsidiary to be a Restricted Subsidiary; provided, that immediately after giving effect to the designation there exists no Event of Default or event which after notice or lapse or time or both would become an Event of Default, and if the Unrestricted Subsidiary has, as of the date of the designation, outstanding Indebtedness other than Permitted Indebtedness, the Partnership could incur at least $1.00 of Indebtedness other than Permitted Indebtedness.

Notwithstanding the foregoing, no Subsidiary may be designated an Unrestricted Subsidiary if the Subsidiary, directly or indirectly, holds Capital Stock of a Restricted Subsidiary.

"U.S. Person" means a U.S. Person as defined in Rule 902(o) under the Securities Act.

"Voting Stock" of any Person as of any date means the Capital Stock of such Person that is at the time entitled to vote in the election of the Board of Directors of such Person.

"Weighted Average Life to Stated Maturity" means, when applied to any Indebtedness at any date, the number of years obtained by dividing:

(1) the sum of the products obtained by multiplying:

(a) 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

(b) the number of years, calculated to the nearest one-twelfth, that will elapse between such date and the making of such payment, by

(2) 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 Stated 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.

Section 1.02 Other Definitions.

Term	Defined in Section
"Affiliate Transaction"	4.11
"Asset Sale Offer"	3.10
"Authentication Order"	2.02
"Blue Rhino LLC"	Preamble
"Change of Control Offer"	4.14
"Change of Control Payment"	4.14
"Change of Control Payment Date"	4.14
"Contribution Agreement"	Preamble
"Covenant Defeasance"	8.03
"DTC"	2.03
"Escrow and Security Agreement"	Preamble
"Event of Default"	6.01
"Excess Proceeds"	4.10
"incur"	4.09
"Issuers"	Preamble
"Legal Defeasance"	8.02
"Offer Amount"	3.10
"Offer Period"	3.10
"Paying Agent"	2.03
"Permitted Indebtedness"	4.09
"Purchase Date"	3.10
"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.

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

"indenture securities" means the Notes;

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

"indenture to be qualified" means this Indenture;

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

"obligor" on the Notes means the Issuers and any successor obligor upon the Notes.

All other terms used in this Indenture that are defined by the TIA, defined by TIA reference to another statute or defined by SEC rule 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) "will" shall be interpreted to express a command;

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

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

ARTICLE 2.
THE NOTES

Section 2.01 Form and Dating.

(a) General. The Notes and the Trustee's certificate of authentication will be substantially in the form of Exhibit A hereto. The Notes may have notations, legends or endorsements required by law, stock exchange rule or usage. Each Note will be dated the date of its authentication. The Notes shall be in denominations of $1,000 and integral multiples thereof.

The terms and provisions contained in the Notes will constitute, and are hereby expressly made, a part of this Indenture and the Issuers and the Trustee, by their execution and delivery of this Indenture, expressly agree to such terms and provisions and to be bound thereby. However, to the extent any provision of any Note conflicts with the express provisions of this Indenture, the provisions of this Indenture shall govern and be controlling.

(b) Global Notes. Notes issued in global form will be substantially in the form of Exhibit A attached hereto (including the Global Note Legend thereon and the "Schedule of Exchanges of Interests in the Global Note" attached thereto). Notes issued in definitive form will be substantially in the form of Exhibit A attached hereto (but without the Global Note Legend thereon and without the "Schedule of Exchanges of Interests in the Global Note" attached thereto). Each Global Note will represent such of the outstanding Notes as will be specified therein and each shall provide that it represents the aggregate principal amount of outstanding Notes from time to time endorsed thereon and that the aggregate principal amount of outstanding 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 aggregate principal amount of outstanding Notes represented thereby will be made by the Trustee or the 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.

An Officer must sign the Notes for the Issuers by manual or facsimile signature.

If an Officer whose signature is on a Note no longer holds that office at the time a Note is authenticated, the Note will nevertheless be valid.

A Note will not be valid until authenticated by the manual or facsimile signature of the Trustee. The signature will be conclusive evidence that the Note has been authenticated under this Indenture.

On the date of this Indenture, the Trustee shall, upon a written order of the Issuers signed by an Officer (an "Authentication Order"), authenticate the Initial Notes for original issue up to $250,000,000 in aggregate principal amount and, upon delivery of any Authentication Order at any time and from time to time thereafter, the Trustee shall authenticate Additional Notes for original issue in an aggregate principal amount specified in such Authentication Order.

The Trustee may appoint an authenticating agent acceptable to the Issuers to authenticate Notes. An authenticating agent may authenticate 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 Holders or an Affiliate of the Issuers.

Section 2.03 Registrar and Paying Agent.

The Issuers will maintain an office or agency where Notes may be presented for registration of transfer or for exchange ("Registrar") and an office or agency where Notes may be presented for payment ("Paying Agent"). The Registrar will keep a register of the 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 "Registrar" includes any co-registrar and the term "Paying Agent" includes any additional paying agent. The Issuers may change any Paying Agent or Registrar without notice to any Holder. The Issuers will notify the Trustee in writing of the name and address of any Agent not a party to this Indenture. If the Issuers fail to appoint or maintain another entity as Registrar or Paying Agent, the Trustee shall act as such. The Partnership or any of its Subsidiaries may act as Paying Agent or Registrar.

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

The Issuers initially appoint the Trustee to act as the Registrar and Paying Agent and to act as Custodian with respect to the Global Notes.

Section 2.04 Paying Agent to Hold Money in Trust.

The Issuers will require each Paying Agent other than the Trustee to agree in writing that the Paying Agent will hold in trust for the benefit of Holders or the Trustee all money held by the Paying Agent for the payment of principal, premium or interest on the Notes, and will notify the Trustee of any default by the Issuers 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 Issuers or a Subsidiary) will have no further liability for the money. If the Partnership or a Subsidiary acts as Paying Agent, it will segregate and hold in a separate trust fund for the benefit of the Holders all money held by it as Paying Agent. Upon any bankruptcy or reorganization proceedings relating to the Issuers, the Trustee will serve as Paying Agent for the Notes.

Section 2.05 Holder Lists.

The Trustee will preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of all Holders and shall otherwise comply with TIA ss. 312(a). If the Trustee is not the Registrar, the Issuers will 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 the Holders of Notes and the Issuers shall otherwise comply with TIA ss. 312(a).

Section 2.06 Transfer and Exchange.

(a) Transfer and Exchange of Global Notes. A Global Note may not be transferred except as a whole by the Depositary to a nominee of the Depositary, by a nominee of the Depositary to the Depositary or to another nominee of the Depositary, or by the Depositary or any such nominee to a successor Depositary or a nominee of such successor Depositary. All Global Notes will be exchanged by the Issuers for Definitive Notes if:

(1) the Issuers deliver to the Trustee notice from the Depositary that it is unwilling or unable to continue to act as Depositary or that it is no longer a clearing agency registered under the Exchange Act and, in either case, a successor Depositary is not appointed by the Issuers within 120 days after the date of such notice from the Depositary;

(2) the Issuers in their sole discretion determine that the Global Notes (in whole but not in part) should be exchanged for Definitive Notes and delivers a written notice to such effect to the Trustee; provided that in no event shall the Regulation S Temporary Global Note be exchanged by the Issuers for Definitive Notes prior to (A) the expiration of the Restricted Period and (B) the receipt by the Registrar of any certificates required pursuant to Rule 903(b)(3)(ii)(B) under the Securities Act; or

(3) there has occurred and is continuing a Default or Event of Default with respect to the Notes.

Upon the occurrence of either of the preceding events in (1) or (2) above, Definitive Notes shall be issued in such names as the Depositary shall instruct the Trustee. Global Notes also may be exchanged or replaced, in whole or in part, as provided in Sections 2.07 and 2.10 hereof. Every Note authenticated and delivered in exchange for, or in lieu of, a Global Note or any portion thereof, pursuant to this Section 2.06 or Section 2.07 or 2.10 hereof, shall be authenticated and delivered in the form of, and shall be, a Global Note. A Global Note may not be exchanged for another Note other than as provided in this Section 2.06(a), however, beneficial interests in a Global Note may be transferred and exchanged as provided in Section 2.06(b), (c) or (f) hereof.

(b) Transfer and Exchange of Beneficial Interests in the Global Notes. The transfer and exchange of beneficial interests in the Global Notes will be effected through the Depositary, in accordance with the provisions of this Indenture and the Applicable Procedures. Beneficial interests in the Restricted Global Notes will be subject to restrictions on transfer comparable to those set forth herein to the extent required by the Securities Act. Transfers of beneficial interests in the Global Notes also will require compliance with either subparagraph (1) or (2) below, as applicable, as well as one or more of the other following subparagraphs, as applicable:

(1) Transfer of Beneficial Interests in the Same Global Note. Beneficial interests in any Restricted Global Note may be transferred to Persons who take delivery thereof in the form of a beneficial interest in the same Restricted Global Note in accordance with the transfer restrictions set forth in the Private Placement Legend; provided, however, that prior to the expiration of the Restricted Period, transfers of beneficial interests in the Regulation S Temporary Global Note may not be made to a U.S. Person or for the account or benefit of a U.S. Person (other than an Initial Purchaser). Beneficial interests in any Unrestricted Global Note may be transferred to Persons who take delivery thereof in the form of a beneficial interest in an Unrestricted Global Note. No written orders or instructions shall be required to be delivered to the Registrar to effect the transfers described in this Section 2.06(b)(1).

(2) All Other Transfers and Exchanges of Beneficial Interests in Global Notes. In connection with all transfers and exchanges of beneficial interests that are not subject to Section 2.06(b)(1) above, the transferor of such beneficial interest must deliver to the Registrar either:

(A) both:

(i) a written order from a Participant or an Indirect Participant given to the Depositary in accordance with the Applicable Procedures directing the Depositary to credit or cause to be credited a beneficial interest in another Global Note in an amount equal to the beneficial interest to be transferred or exchanged; and

(ii) instructions given in accordance with the Applicable Procedures containing information regarding the Participant account to be credited with such increase; or

(B) both:

(i) a written order from a Participant or an Indirect Participant given to the Depositary in accordance with the Applicable Procedures directing the Depositary to cause to be issued a Definitive Note in an amount equal to the beneficial interest to be transferred or exchanged; and

(ii) instructions given by the Depositary to the Registrar containing information regarding the Person in whose name such Definitive Note shall be registered to effect the transfer or exchange referred to in (1) above;

provided that in no event shall Definitive Notes be issued upon the transfer or exchange of beneficial interests in the Regulation S Temporary Global Note prior to (A) the expiration of the Restricted Period and (B) the receipt by the Registrar of any certificates required pursuant to Rule 903 under the Securities Act.

Upon consummation of an Exchange Offer by the Issuers in accordance with Section 2.06(f) hereof, the requirements of this Section 2.06(b)(2) shall be deemed to have been satisfied upon receipt by the Registrar of the instructions contained in the Letter of Transmittal delivered by the Holder of such beneficial interests in the Restricted Global Notes. Upon satisfaction of all of the requirements for transfer or exchange of beneficial interests in Global Notes contained in this Indenture and the Notes or otherwise applicable under the Securities Act, the Trustee shall adjust the principal amount of the relevant Global Note(s) pursuant to Section 2.06(h) hereof.

(3) Transfer of Beneficial Interests to Another Restricted Global Note. A beneficial interest in any Restricted Global Note may be transferred to a Person who takes delivery thereof in the form of a beneficial interest in another Restricted Global Note if the transfer complies with the requirements of Section 2.06(b)(2) above and the Registrar receives the following:

(A) if the transferee will take delivery in the form of a beneficial interest in the 144A Global Note, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications in item (1) thereof;

(B) if the transferee will take delivery in the form of a beneficial interest in the Regulation S Temporary Global Note or the Regulation S Permanent Global Note, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications in item (2) thereof; and

(C) if the transferee will take delivery in the form of a beneficial interest in the IAI Global Note, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications, certificates and Opinion of Counsel required by item (3) thereof, if applicable.

(4) Transfer and Exchange of Beneficial Interests in a Restricted Global Note for Beneficial Interests in an Unrestricted Global Note. A beneficial interest in any Restricted Global Note may be exchanged by any holder thereof for a beneficial interest in an Unrestricted Global Note or transferred to a Person who takes delivery thereof in the form of a beneficial interest in an Unrestricted Global Note if the exchange or transfer complies with the requirements of Section 2.06(b)(2) above and:

(A) such exchange or transfer is effected pursuant to the Exchange Offer in accordance with the Registration Rights Agreement and the holder of the beneficial interest to be transferred, in the case of an exchange, or the transferee, in the case of a transfer, certifies in the applicable Letter of Transmittal that it is not (i) a Broker-Dealer, (ii) a Person participating in the distribution of the Exchange Notes or (iii) a Person who is an affiliate (as defined in Rule 144) of the Issuers;

(B) such transfer is effected pursuant to the Shelf Registration Statement in accordance with the Registration Rights Agreement;

(C) such transfer is effected by a Broker-Dealer pursuant to the Exchange Offer Registration Statement in accordance with the Registration Rights Agreement; or

(D) the Registrar receives the following:

(i) if the holder of such beneficial interest in a Restricted Global Note proposes to exchange such beneficial interest for a beneficial interest in an Unrestricted Global Note, a certificate from such holder in the form of Exhibit C hereto, including the certifications in item (1)(a) thereof; or

(ii) if the holder of such beneficial interest in a Restricted Global Note proposes to transfer such beneficial interest to a Person who shall take delivery thereof in the form of a beneficial interest in an Unrestricted Global Note, a certificate from such holder in the form of Exhibit B hereto, including the certifications in item (4) thereof;

and, in each such case set forth in this subparagraph (D), if the Registrar so requests or if the Applicable Procedures so require, an Opinion of Counsel in form reasonably acceptable to the Registrar to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the Private Placement Legend are no longer required in order to maintain compliance with the Securities Act.

If any such transfer is effected pursuant to subparagraph (B) or (D) above at a time when an Unrestricted Global Note has not yet been issued, the Issuers shall issue and, upon receipt of an Authentication Order in accordance with Section 2.02 hereof, the Trustee shall authenticate one or more Unrestricted Global Notes in an aggregate principal amount equal to the aggregate principal amount of beneficial interests transferred pursuant to subparagraph (B) or (D) above.

Beneficial interests in an Unrestricted Global Note cannot be exchanged for, or transferred to Persons who take delivery thereof in the form of, a beneficial interest in a Restricted Global Note.

(c) Transfer or Exchange of Beneficial Interests for Definitive Notes.

(1) Beneficial Interests in Restricted Global Notes to Restricted Definitive Notes. If any holder of a beneficial interest in a Restricted Global Note proposes to exchange such beneficial interest for a Restricted Definitive Note or to transfer such beneficial interest to a Person who takes delivery thereof in the form of a Restricted Definitive Note, then, upon receipt by the Registrar of the following documentation:

(A) if the holder of such beneficial interest in a Restricted Global Note proposes to exchange such beneficial interest for a Restricted Definitive Note, a certificate from such holder in the form of Exhibit C hereto, including the certifications in item (2)(a) thereof;

(B) if such beneficial interest is being transferred to a QIB in accordance with Rule 144A, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (1) thereof;

(C) if such beneficial interest is being transferred to a Non-U.S. Person in an offshore transaction in accordance with Rule 903 or Rule 904, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (2) thereof;

(D) if such beneficial interest is being transferred pursuant to an exemption from the registration requirements of the Securities Act in accordance with Rule 144, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (3)(a) thereof;

(E) if such beneficial interest is being transferred to an Institutional Accredited Investor in reliance on an exemption from the registration requirements of the Securities Act other than those listed in subparagraphs (B) through (D) above, a certificate to the effect set forth in Exhibit B hereto, including the certifications, certificates and Opinion of Counsel required by item (3) thereof, if applicable;

(F) if such beneficial interest is being transferred to the Issuers or any of their Subsidiaries, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (3)(b) thereof; or

(G) if such beneficial interest is being transferred pursuant to an effective registration statement under the Securities Act, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (3)(c) thereof,

the Trustee shall cause the aggregate principal amount of the applicable Global Note to be reduced accordingly pursuant to Section 2.06(h) hereof, and the Issuers shall execute and the Trustee shall authenticate and deliver to the Person designated in the instructions a Definitive Note in the appropriate principal amount. Any Definitive Note issued in exchange for a beneficial interest in a Restricted Global Note pursuant to this Section 2.06(c) shall be registered in such name or names and in such authorized denomination or denominations as the holder of such beneficial interest shall instruct the Registrar through instructions from the Depositary and the Participant or Indirect Participant. The Trustee shall deliver such Definitive Notes to the Persons in whose names such Notes are so registered. Any Definitive Note issued in exchange for a beneficial interest in a Restricted Global Note pursuant to this Section 2.06(c)(1) shall bear the Private Placement Legend and shall be subject to all restrictions on transfer contained therein.

(2) Beneficial Interests in Regulation S Temporary Global Note to Definitive Notes. Notwithstanding Sections 2.06(c)(1)(A) and (C) hereof, a beneficial interest in the Regulation S Temporary Global Note may not be exchanged for a Definitive Note or transferred to a Person who takes delivery thereof in the form of a Definitive Note prior to (A) the expiration of the Restricted Period and (B) the receipt by the Registrar of any certificates required pursuant to Rule 903(b)(3)(ii)(B) under the Securities Act, except in the case of a transfer pursuant to an exemption from the registration requirements of the Securities Act other than Rule 903 or Rule 904.

(3) Beneficial Interests in Restricted Global Notes to Unrestricted Definitive Notes. A holder of a beneficial interest in a Restricted Global Note may exchange such beneficial interest for an Unrestricted Definitive Note or may transfer such beneficial interest to a Person who takes delivery thereof in the form of an Unrestricted Definitive Note only if:

(A) such exchange or transfer is effected pursuant to the Exchange Offer in accordance with the Registration Rights Agreement and the holder of such beneficial interest, in the case of an exchange, or the transferee, in the case of a transfer, certifies in the applicable Letter of Transmittal that it is not (i) a Broker-Dealer, (ii) a Person participating in the distribution of the Exchange Notes or (iii) a Person who is an affiliate (as defined in Rule 144) of the Issuers;

(B) such transfer is effected pursuant to the Shelf Registration Statement in accordance with the Registration Rights Agreement;

(C) such transfer is effected by a Broker-Dealer pursuant to the Exchange Offer Registration Statement in accordance with the Registration Rights Agreement; or

(D) the Registrar receives the following:

(i) if the holder of such beneficial interest in a Restricted Global Note proposes to exchange such beneficial interest for an Unrestricted Definitive Note, a certificate from such holder in the form of Exhibit C hereto, including the certifications in item (1)(b) thereof; or

(ii) if the holder of such beneficial interest in a Restricted Global Note proposes to transfer such beneficial interest to a Person who shall take delivery thereof in the form of an Unrestricted Definitive Note, a certificate from such holder in the form of Exhibit B hereto, including the certifications in item (4) thereof;

and, in each such case set forth in this subparagraph (D), if the Registrar so requests or if the Applicable Procedures so require, an Opinion of Counsel in form reasonably acceptable to the Registrar to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the Private Placement Legend are no longer required in order to maintain compliance with the Securities Act.

(4) Beneficial Interests in Unrestricted Global Notes to Unrestricted Definitive Notes. If any holder of a beneficial interest in an Unrestricted Global Note proposes to exchange such beneficial interest for a Definitive Note or to transfer such beneficial interest to a Person who takes delivery thereof in the form of a Definitive Note, then, upon satisfaction of the conditions set forth in Section 2.06(b)(2) hereof, the Trustee will cause the aggregate principal amount of the applicable Global Note to be reduced accordingly pursuant to Section 2.06(h) hereof, and the Issuers will execute and the Trustee will authenticate and deliver to the Person designated in the instructions a Definitive Note in the appropriate principal amount. Any Definitive Note issued in exchange for a beneficial interest pursuant to this Section 2.06(c)(4) will be registered in such name or names and in such authorized denomination or denominations as the holder of such beneficial interest requests through instructions to the Registrar from or through the Depositary and the Participant or Indirect Participant. The Trustee will deliver such Definitive Notes to the Persons in whose names such Notes are so registered. Any Definitive Note issued in exchange for a beneficial interest pursuant to this Section 2.06(c)(4) will not bear the Private Placement Legend.

(d) Transfer and Exchange of Definitive Notes for Beneficial Interests.

(1) Restricted Definitive Notes to Beneficial Interests in Restricted Global Notes. If any Holder of a Restricted Definitive Note proposes to exchange such Note for a beneficial interest in a Restricted Global Note or to transfer such Restricted Definitive Notes to a Person who takes delivery thereof in the form of a beneficial interest in a Restricted Global Note, then, upon receipt by the Registrar of the following documentation:

(A) if the Holder of such Restricted Definitive Note proposes to exchange such Note for a beneficial interest in a Restricted Global Note, a certificate from such Holder in the form of Exhibit C hereto, including the certifications in item (2)(b) thereof;

(B) if such Restricted Definitive Note is being transferred to a QIB in accordance with Rule 144A, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (1) thereof;

(C) if such Restricted Definitive Note is being transferred to a Non-U.S. Person in an offshore transaction in accordance with Rule 903 or Rule 904, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (2) thereof;

(D) if such Restricted Definitive Note is being transferred pursuant to an exemption from the registration requirements of the Securities Act in accordance with Rule 144, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (3)(a) thereof;

(E) if such Restricted Definitive Note is being transferred to an Institutional Accredited Investor in reliance on an exemption from the registration requirements of the Securities Act other than those listed in subparagraphs (B) through (D) above, a certificate to the effect set forth in Exhibit B hereto, including the certifications, certificates and Opinion of Counsel required by item (3) thereof, if applicable;

(F) if such Restricted Definitive Note is being transferred to the Issuers or any of their Subsidiaries, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (3)(b) thereof; or

(G) if such Restricted Definitive Note is being transferred pursuant to an effective registration statement under the Securities Act, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (3)(c) thereof,

the Trustee will cancel the Restricted Definitive Note, increase or cause to be increased the aggregate principal amount of, in the case of clause (A) above, the appropriate Restricted Global Note, in the case of clause (B) above, the 144A Global Note, in the case of clause (C) above, the Regulation S Global Note, and in all other cases, the IAI Global Note.

(2) Restricted Definitive Notes to Beneficial Interests in Unrestricted Global Notes. A Holder of a Restricted Definitive Note may exchange such Note for a beneficial interest in an Unrestricted Global Note or transfer such Restricted Definitive Note to a Person who takes delivery thereof in the form of a beneficial interest in an Unrestricted Global Note only if:

(A) such exchange or transfer is effected pursuant to the Exchange Offer in accordance with the Registration Rights Agreement and the Holder, in the case of an exchange, or the transferee, in the case of a transfer, certifies in the applicable Letter of Transmittal that it is not (i) a Broker-Dealer, (ii) a Person participating in the distribution of the Exchange Notes or (iii) a Person who is an affiliate (as defined in Rule 144) of the Issuers;

(B) such transfer is effected pursuant to the Shelf Registration Statement in accordance with the Registration Rights Agreement;

(C) such transfer is effected by a Broker-Dealer pursuant to the Exchange Offer Registration Statement in accordance with the Registration Rights Agreement; or

(D) the Registrar receives the following:

(i) if the Holder of such Definitive Notes proposes to exchange such Notes for a beneficial interest in the Unrestricted Global Note, a certificate from such Holder in the form of Exhibit C hereto, including the certifications in item (1)(c) thereof; or

(ii) if the Holder of such Definitive Notes proposes to transfer such Notes to a Person who shall take delivery thereof in the form of a beneficial interest in the Unrestricted Global Note, a certificate from such Holder in the form of Exhibit B hereto, including the certifications in item (4) thereof;

and, in each such case set forth in this subparagraph (D), if the Registrar so requests or if the Applicable Procedures so require, an Opinion of Counsel in form reasonably acceptable to the Registrar to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the Private Placement Legend are no longer required in order to maintain compliance with the Securities Act.

Upon satisfaction of the conditions of any of the subparagraphs in this Section 2.06(d)(2), the Trustee will cancel the Definitive Notes and increase or cause to be increased the aggregate principal amount of the Unrestricted Global Note.

(3) Unrestricted Definitive Notes to Beneficial Interests in Unrestricted Global Notes. A Holder of an Unrestricted Definitive Note may exchange such Note for a beneficial interest in an Unrestricted Global Note or transfer such Definitive Notes to a Person who takes delivery thereof in the form of a beneficial interest in an Unrestricted Global Note at any time. Upon receipt of a request for such an exchange or transfer, the Trustee will cancel the applicable Unrestricted Definitive Note and increase or cause to be increased the aggregate principal amount of one of the Unrestricted Global Notes.

If any such exchange or transfer from a Definitive Note to a beneficial interest is effected pursuant to subparagraphs (2)(B), (2)(D) or (3) above at a time when an Unrestricted Global Note has not yet been issued, the Issuers will issue and, upon receipt of an Authentication Order in accordance with Section 2.02 hereof, the Trustee will authenticate one or more Unrestricted Global Notes in an aggregate principal amount equal to the principal amount of Definitive Notes so transferred.

(e) Transfer and Exchange of Definitive Notes for Definitive Notes. Upon request by a Holder of Definitive Notes and such Holder's compliance with the provisions of this Section 2.06(e), the Registrar will register the transfer or exchange of Definitive Notes. Prior to such registration of transfer or exchange, the requesting Holder must present or surrender to the Registrar the Definitive Notes duly endorsed or accompanied by a written instruction of transfer in form satisfactory to the Registrar duly executed by such Holder or by its attorney, duly authorized in writing. In addition, the requesting Holder must provide any additional certifications, documents and information, as applicable, required pursuant to the following provisions of this Section 2.06(e).

(1) Restricted Definitive Notes to Restricted Definitive Notes. Any Restricted Definitive Note may be transferred to and registered in the name of Persons who take delivery thereof in the form of a Restricted Definitive Note if the Registrar receives the following:

(A) if the transfer will be made pursuant to Rule 144A, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications in item (1) thereof;

(B) if the transfer will be made pursuant to Rule 903 or Rule 904, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications in item (2) thereof; and

(C) if the transfer will be made pursuant to any other exemption from the registration requirements of the Securities Act, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications, certificates and Opinion of Counsel required by item (3) thereof, if applicable.

(2) Restricted Definitive Notes to Unrestricted Definitive Notes. Any Restricted Definitive Note may be exchanged by the Holder thereof for an Unrestricted Definitive Note or transferred to a Person or Persons who take delivery thereof in the form of an Unrestricted Definitive Note if:

(A) such exchange or transfer is effected pursuant to the Exchange Offer in accordance with the Registration Rights Agreement and the Holder, in the case of an exchange, or the transferee, in the case of a transfer, certifies in the applicable Letter of Transmittal that it is not (i) a Broker-Dealer, (ii) a Person participating in the distribution of the Exchange Notes or (iii) a Person who is an affiliate (as defined in Rule 144) of the Issuers;

(B) any such transfer is effected pursuant to the Shelf Registration Statement in accordance with the Registration Rights Agreement;

(C) any such transfer is effected by a Broker-Dealer pursuant to the Exchange Offer Registration Statement in accordance with the Registration Rights Agreement; or

(D) the Registrar receives the following:

(i) if the Holder of such Restricted Definitive Notes proposes to exchange such Notes for an Unrestricted Definitive Note, a certificate from such Holder in the form of Exhibit C hereto, including the certifications in item (1)(d) thereof; or

(ii) if the Holder of such Restricted Definitive Notes proposes to transfer such Notes to a Person who shall take delivery thereof in the form of an Unrestricted Definitive Note, a certificate from such Holder in the form of Exhibit B hereto, including the certifications in item (4) thereof;

and, in each such case set forth in this subparagraph (D), if the Registrar so requests, an Opinion of Counsel in form reasonably acceptable to the Registrar to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the Private Placement Legend are no longer required in order to maintain compliance with the Securities Act.

(3) Unrestricted Definitive Notes to Unrestricted Definitive Notes. A Holder of Unrestricted Definitive Notes may transfer such Notes to a Person who takes delivery thereof in the form of an Unrestricted Definitive Note. Upon receipt of a request to register such a transfer, the Registrar shall register the Unrestricted Definitive Notes pursuant to the instructions from the Holder thereof.

(f) Exchange Offer. Upon the occurrence of the Exchange Offer in accordance with the Registration Rights Agreement, the Issuers will issue and, upon receipt of an Authentication Order in accordance with Section 2.02 hereof, the Trustee will authenticate:

(1) one or more Unrestricted Global Notes in an aggregate principal amount equal to the principal amount of the beneficial interests in the Restricted Global Notes accepted for exchange in the Exchange Offer by Persons that certify in the applicable Letters of Transmittal that (A) they are not Broker-Dealers, (B) they are not participating in a distribution of the Exchange Notes and (C) they are not affiliates (as defined in Rule 144) of the Issuers; and

(2) Unrestricted Definitive Notes in an aggregate principal amount equal to the principal amount of the Restricted Definitive Notes accepted for exchange in the Exchange Offer by Persons that certify in the applicable Letters of Transmittal that (A) they are not Broker-Dealers, (B) they are not participating in a distribution of the Exchange Notes and (C) they are not affiliates (as defined in Rule 144) of the Issuers.

Concurrently with the issuance of such Notes, the Trustee will cause the aggregate principal amount of the applicable Restricted Global Notes to be reduced accordingly, and the Issuers will execute and the Trustee will authenticate and deliver to the Persons designated by the Holders of Definitive Notes so accepted Unrestricted Definitive Notes in the appropriate principal amount.

(g) Legends. The following legends will appear on the face of all Global Notes and Definitive Notes issued under this Indenture unless specifically stated otherwise in the applicable provisions of this Indenture.

(1) Private Placement Legend.

(A) Except as permitted by subparagraph (B) below, each Global Note and each Definitive Note (and all Notes issued in exchange therefor or substitution thereof) shall bear the legend in substantially the following form:

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

THE HOLDER OF THIS NOTE AGREES FOR THE BENEFIT OF FERRELLGAS ESCROW LLC, FERRELLGAS FINANCE ESCROW CORPORATION, FERRELLGAS, L.P. AND FERRELLGAS FINANCE CORP. THAT (A) THIS NOTE MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (I) IN THE UNITED STATES TO A PERSON WHOM 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, (II) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 904 UNDER THE SECURITIES ACT, (III) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE) OR (IV) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH OF CASES (I) THROUGH (IV) IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES, AND (B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS NOTE FROM IT OF THE RESALE RESTRICTIONS REFERRED TO IN (A) ABOVE."

(B) Notwithstanding the foregoing, any Global Note or Definitive Note issued pursuant to subparagraphs (b)(4), (c)(3), (c)(4), (d)(2), (d)(3), (e)(2), (e)(3) or (f) of this Section 2.06 (and all Notes issued in exchange therefor or substitution thereof) will not bear the Private Placement Legend.

(2) Global Note Legend. Each Global Note will bear a legend in substantially the following form:

"THIS GLOBAL NOTE IS HELD BY THE DEPOSITARY (AS DEFINED IN THE INDENTURE GOVERNING THIS NOTE) OR ITS NOMINEE IN CUSTODY FOR THE BENEFIT OF THE BENEFICIAL OWNERS HEREOF, AND IS NOT TRANSFERABLE TO ANY PERSON UNDER ANY CIRCUMSTANCES EXCEPT THAT (I) THE TRUSTEE MAY MAKE SUCH NOTATIONS HEREON AS MAY BE REQUIRED PURSUANT TO SECTION 2.06 OF THE INDENTURE, (II) THIS GLOBAL NOTE MAY BE EXCHANGED IN WHOLE BUT NOT IN PART PURSUANT TO SECTION 2.06(a) OF THE INDENTURE, (III) THIS GLOBAL NOTE MAY BE DELIVERED TO THE TRUSTEE FOR CANCELLATION PURSUANT TO SECTION 2.11 OF THE INDENTURE AND (IV) THIS GLOBAL NOTE MAY BE TRANSFERRED TO A SUCCESSOR DEPOSITARY WITH THE PRIOR WRITTEN CONSENT OF THE ISSUERS.

UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR NOTES IN DEFINITIVE FORM, THIS NOTE MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE 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. UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (55 WATER STREET, NEW YORK, NEW YORK) ("DTC"), TO THE ISSUERS OR THEIR 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."

(3) Regulation S Temporary Global Note Legend. The Regulation S Temporary Global Note will bear a Legend in substantially the following form:

"THE RIGHTS ATTACHING TO THIS REGULATION S TEMPORARY GLOBAL NOTE, AND THE CONDITIONS AND PROCEDURES GOVERNING ITS EXCHANGE FOR CERTIFICATED NOTES, ARE AS SPECIFIED IN THE INDENTURE (AS DEFINED HEREIN). NEITHER THE HOLDER NOR THE BENEFICIAL OWNERS OF THIS REGULATION S TEMPORARY GLOBAL NOTE SHALL BE ENTITLED TO RECEIVE PAYMENT OF INTEREST HEREON."

(h) Cancellation and/or Adjustment of Global Notes. At such time as all beneficial interests in a particular Global Note have been exchanged for Definitive Notes or a particular Global Note has been redeemed, repurchased or canceled in whole and not in part, each such Global Note will be returned to or retained and canceled 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 or transferred to a Person who will take delivery thereof in the form of a beneficial interest in another Global Note or for Definitive Notes, the principal amount of Notes represented by such Global Note will be reduced accordingly and an endorsement will be made on such Global Note by the Trustee or by the Depositary at the direction of the Trustee to reflect such reduction; and if the beneficial interest is being exchanged for or transferred to a Person who will take delivery thereof in the form of a beneficial interest in another Global Note, such other Global Note will be increased accordingly and an endorsement will be made on such Global Note by the Trustee or by the Depositary at the direction of the Trustee to reflect such increase.

(i) General Provisions Relating to Transfers and Exchanges.

(1) To permit registrations of transfers and exchanges, the Issuers will execute and the Trustee will authenticate Global Notes and Definitive Notes upon receipt of an Authentication Order in accordance with Section 2.02 hereof or at the Registrar's request.

(2) No service charge will be made to a Holder of a beneficial interest in a Global Note or to a Holder of a Definitive Note 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 2.10, 3.06, 3.10, 4.10, 4.15 and 9.05 hereof).

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

(4) All Global Notes and Definitive Notes issued upon any registration of transfer or exchange of Global Notes or Definitive Notes will be the valid obligations of the Issuers, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Global Notes or Definitive Notes surrendered upon such registration of transfer or exchange.

(5) Neither the Registrar nor the Issuers will be required:

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

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

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

(6) Prior to due presentment for the registration of a transfer of any Note, the Trustee, any Agent and the Issuers may deem and treat the Person in whose name any Note is registered as the absolute owner of such Note for the purpose of receiving payment of principal of and interest on such Notes and for all other purposes, and none of the Trustee, any Agent or the Issuers shall be affected by notice to the contrary.

(7) The Trustee will authenticate Global Notes and Definitive Notes in accordance with the provisions of Section 2.02 hereof.

All certifications, certificates and Opinions of Counsel required to be submitted to the Registrar pursuant to this Section 2.06 to effect a registration of transfer or exchange may be submitted by facsimile.

Section 2.07 Replacement Notes.

If any mutilated Note is surrendered to the Trustee or the Issuers and the Trustee receives evidence to its satisfaction of the destruction, loss or theft of any Note, the Issuers will issue and the Trustee, upon receipt of an Authentication Order, will authenticate a replacement Note if the Trustee's requirements are met. If required by the Trustee or the Issuers, an indemnity bond must be supplied by the Holder that is sufficient in the judgment of the Trustee and the Issuers to protect the Issuers, the Trustee, any Agent and any authenticating agent from any loss that any of them may suffer if a Note is replaced. The Issuers may charge for their expenses in replacing a Note.

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

Section 2.08 Outstanding Notes.

The Notes outstanding at any time are all the Notes authenticated by the Trustee except for those canceled by it, those delivered to it for cancellation, those reductions in the interest in a Global Note effected by the Trustee in accordance with the provisions hereof, and those described in this Section as not outstanding. Except as set forth in Section 2.09 hereof, a Note does not cease to be outstanding because the Issuers or an Affiliate of the Issuers holds the Note; however, Notes held by the Issuers or a Subsidiary of the Issuers shall not be deemed to be outstanding for purposes of Section 3.07(b) hereof.

If a 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 Note is held by a protected purchaser.

If the principal amount of any Note is considered paid under Section 4.01 hereof, it ceases to be outstanding and interest on it ceases to accrue.

If the Paying Agent (other than the Issuers, a Subsidiary or an Affiliate of any thereof) holds, on a redemption date or maturity date, money sufficient to pay Notes payable on that date, then on and after that date such Notes will be deemed to be no longer outstanding and will cease to accrue interest.

Section 2.09 Treasury Notes.

In determining whether the Holders of the required principal amount of Notes have concurred in any direction, waiver or consent, Notes owned by the Issuers, or by any Person directly or indirectly controlling or controlled by or under direct or indirect common control with the Issuers, will be considered as though not outstanding, except that for the purposes of determining whether the Trustee will be protected in relying on any such direction, waiver or consent, only Notes that the Trustee knows are so owned will be so disregarded.

Section 2.10 Temporary Notes.

Until certificates representing Notes are ready for delivery, the Issuers may prepare and the Trustee, upon receipt of an Authentication Order, will authenticate temporary Notes. Temporary Notes will be substantially in the form of certificated Notes but may have variations that the Issuers consider appropriate for temporary Notes and as may be reasonably acceptable to the Trustee. Without unreasonable delay, the Issuers will prepare and the Trustee will authenticate definitive Notes in exchange for temporary Notes.

Holders of temporary Notes will be entitled to all of the benefits of this Indenture.

Section 2.11 Cancellation.

The Issuers at any time may deliver Notes to the Trustee for cancellation. The Registrar and Paying Agent will forward to the Trustee any Notes surrendered to them for registration of transfer, exchange or payment. The Trustee and no one else will cancel all Notes surrendered for registration of transfer, exchange, payment, replacement or cancellation and will destroy canceled Notes (subject to the record retention requirement of the Exchange Act). Certification of the destruction of all canceled Notes will be delivered to the Issuers. The Issuers may not issue new Notes to replace Notes that they have paid or that have been delivered to the Trustee for cancellation.

Section 2.12 Defaulted Interest.

If the Issuers default in a payment of interest on the Notes, they will 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 on a subsequent special record date, in each case at the rate provided in the Notes and in Section 4.01 hereof. The Issuers will notify the Trustee in writing of the amount of defaulted interest proposed to be paid on each Note and the date of the proposed payment. The Issuers will fix or cause to be fixed each such special record date and payment date, provided that no such special record date may be less than 10 days prior to the related payment date for such defaulted interest. At least 15 days before the special record date, the Issuers (or, upon the written request of the Issuers, the Trustee in the name and at the expense of the Issuers) will mail or cause to be mailed to Holders a notice that states the special record date, the related payment date and the amount of such interest to be paid.

ARTICLE 3.
REDEMPTION AND PREPAYMENT

Section 3.01 Notices to Trustee.

If the Issuers elect to redeem Notes pursuant to the optional redemption provisions of Section 3.07 hereof, they must furnish to the Trustee, at least 30 days but not more than 60 days before a redemption date, an Officers' Certificate setting forth:

(1) the clause of this Indenture pursuant to which the redemption shall occur;

(2) the redemption date;

(3) the principal amount of Notes to be redeemed; and

(4) the redemption price.

Section 3.02 Selection of Notes to Be Redeemed or Purchased.

If less than all of the Notes are to be redeemed or purchased in an offer to purchase at any time, the Trustee will select Notes for redemption or purchase as follows:

(1) if the Notes are listed on any national securities exchange, in compliance with the requirements of the principal national securities exchange on which the Notes are listed; or

(2) if the Notes are not listed on any national securities exchange, on a pro rata basis, by lot or in accordance with a method which the Trustee shall deem fair and appropriate.

In the event of partial redemption or purchase by lot, the particular Notes to be redeemed or purchased will be selected, unless otherwise provided herein, not less than 30 nor more than 60 days prior to the redemption or purchase date by the Trustee from the outstanding Notes not previously called for redemption or purchase.

The Trustee will promptly notify the Issuers in writing of the Notes selected for redemption or purchase and, in the case of any Note selected for partial redemption or purchase, the principal amount thereof to be redeemed or purchased. Notes and portions of Notes selected will be in amounts of $1,000 or whole multiples of $1,000; except that if all of the Notes of a Holder are to be redeemed or purchased, the entire outstanding amount of Notes held by such Holder, even if not a multiple of $1,000, shall be redeemed or purchased. Except as provided in the preceding sentence, provisions of this Indenture that apply to Notes called for redemption or purchase also apply to portions of Notes called for redemption or purchase.

Section 3.03 Notice of Redemption.

Subject to the provisions of Sections 3.09 and 3.10 hereof, at least 10 days but not more than 60 days before a redemption date, the Issuers will mail or cause to be mailed, by first class mail, a notice of redemption to each Holder whose Notes are to be redeemed at its registered address, except that redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Notes or a satisfaction and discharge of this Indenture pursuant to Articles 8 or 10 of this Indenture.

The notice will identify the Notes to be redeemed and will state:

(1) the redemption date;

(2) the redemption price;

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

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

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

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

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

(8) 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 Notes.

At the Issuers' request, the Trustee will give the notice of redemption in the Issuers' name and at their expense; provided, however, that the Issuers 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.

Section 3.04 Effect of Notice of Redemption.

Once notice of redemption is mailed in accordance with Section 3.03 hereof, 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 or Purchase Price.

One Business Day prior to or on the redemption or purchase price date, the Issuers will deposit with the Trustee or with the Paying Agent money sufficient to pay the redemption or purchase price of and accrued interest on all Notes to be redeemed or purchased on that date. The Trustee or the Paying Agent will 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 or purchase price of, and accrued interest on, all Notes to be redeemed or purchased.

If the Issuers comply with the provisions of the preceding paragraph, on and after the redemption or purchase date, interest will cease to accrue on the Notes or the portions of Notes called for redemption or purchase. If a Note is redeemed or purchased 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 Note was registered at the close of business on such record date. If any Note called for redemption or purchase is not so paid upon surrender for redemption or purchase because of the failure of the Issuers to comply with the preceding paragraph, interest shall be paid on the unpaid principal, from the redemption or purchase 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 Notes and in Section 4.01 hereof.

Section 3.06 Notes Redeemed or Purchased in Part.

Upon surrender of a Note that is redeemed or purchased in part, the Issuers will issue and, upon receipt of an Authentication Order, the Trustee will authenticate for the Holder at the expense of the Issuers a new Note equal in principal amount to the unredeemed or unpurchased portion of the Note surrendered.

Section 3.07 Optional Redemption.

(a) At any time on or before May 1, 2007, the Partnership may on any one or more occasions redeem up to 35% of the aggregate principal amount of Notes issued under this Indenture at a redemption price of 106.750% of the principal amount thereof, plus accrued and unpaid interest to the applicable redemption date, with the net cash proceeds of one or more Equity Offerings completed by the Partnership; provided that:

(1) at least 65% of the aggregate principal amount of Notes issued under this Indenture (including any Additional Notes), are outstanding immediately following the redemption; and

(2) the redemption must occur within 90 days of the closing of such Equity Offering.

(b) Except pursuant to the preceding paragraph, the Notes are not redeemable at the Issuers' option prior to May 1, 2009.

(c) On and after May 1, 2009, the Issuers may redeem the Notes, in whole or in part, upon not less than 30 nor more than 60 days' notice, at the redemption prices (expressed in percentages of principal amount) listed in the table below, plus accrued and unpaid interest on the Notes to the applicable redemption date, if redeemed during the twelve months beginning on May 1 of the years indicated below:

Year	Percentage
2009	103.375%
2010	102.250%
2011	101.125%
2012 and thereafter	100.000%

(d) Any redemption pursuant to this Section 3.07 shall be made pursuant to the provisions of Section 3.01 through 3.06 hereof.

Section 3.08 Mandatory Redemption.

Except as described in Section 3.09, the Issuers are not required to make any mandatory redemption or sinking fund payments with respect to the Notes. The Issuers may at any time and from time to time purchase Notes in the open market or otherwise.

Section 3.09 Special Mandatory Redemption.

(a) The Escrow Property, in an aggregate amount of $254,921,875.00, representing the gross proceeds from the issuance and sale of the Notes, after deducting discounts and commissions but before other expenses, of $243,487,918.75 together with $11,433,956.25 deposited by the Issuers, will be held by the Escrow Agent in the Escrow Account pursuant to the Escrow and Security Agreement. The Escrow Property will be invested as provided in the Escrow and Security Agreement.

(b) Pursuant to the Escrow and Security Agreement, if (i) the conditions contained in Section I.4(b) of the Escrow and Security Agreement have not been satisfied by August 5, 2004 or (ii) the Contribution Agreement is terminated prior to August 5, 2004, the Issuers will cause a notice of special mandatory redemption to be mailed not later than the next Business Day following August 5, 2004 or following the date the Contribution Agreement is terminated, as applicable, and will redeem the Notes not later than five Business Days following the date of the notice of the special mandatory redemption, at a redemption price equal to 100% of the principal amount of Notes, plus accrued and unpaid interest, to, but not including the redemption date.

(c) Immediately upon receipt by the Paying Agent of the Escrow Property, the Trustee will notify the Holders of the date fixed for special mandatory redemption pursuant to this Section 3.09.

(d) Other than as specifically provided in this Section 3.09, any redemption pursuant to this Section 3.09 will be made pursuant to the provisions of Section 3.04 through 3.05 hereof.

Section 3.10 Offer to Purchase by Application of Excess Proceeds.

In the event that, pursuant to Section 4.10 hereof, the Issuers are required to commence an offer to all Holders to purchase Notes (an "Asset Sale Offer"), they will follow the procedures specified below.

The Asset Sale Offer shall be made to all Holders and all holders of other Indebtedness that is pari passu with the Notes containing provisions similar to those set forth in this Indenture with respect to offers to purchase or redeem with the proceeds of sales and assets. The Asset Sale Offer will remain open for a period of at least 20 Business Days following its commencement and not more than 30 Business Days, except to the extent that a longer period is required by applicable law (the "Offer Period"). No later than three Business Days after the termination of the Offer Period (the "Purchase Date"), the Issuers will apply all Excess Proceeds (the "Offer Amount") to the purchase of Notes and such other pari passu Indebtedness (on a pro rata basis, if applicable) or, if less than the Offer Amount has been tendered, all Notes and other Indebtedness tendered in response to the Asset Sale Offer. Payment for any Notes so purchased will 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 will be paid to the Person in whose name a Note is registered at the close of business on such record date, and no additional interest will be payable to Holders who tender Notes pursuant to the Asset Sale Offer.

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

(1) that the Asset Sale Offer is being made pursuant to this Section 3.10 and Section 4.10 hereof and the length of time the Asset Sale Offer will remain open;

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

(3) that any Note not tendered or accepted for payment will continue to accrue interest;

(4) that, unless the Issuers default in making such payment, any Note accepted for payment pursuant to the Asset Sale Offer will cease to accrue interest after the Purchase Date;

(5) that Holders electing to have a Note purchased pursuant to an Asset Sale Offer may elect to have Notes purchased in integral multiples of $1,000 only;

(6) that Holders electing to have a Note purchased pursuant to any Asset Sale Offer will be required to surrender the Note, with the form entitled "Option of Holder to Elect Purchase" on the reverse of the Note completed, or transfer by book-entry transfer, to the Issuers, a Depositary, if appointed by the Issuers, or a Paying Agent at the address specified in the notice at least three days before the Purchase Date;

(7) that Holders will 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 expiration of the Offer Period, a telegram, telex, facsimile transmission or letter setting forth the name of the Holder, the principal amount of the Note the Holder delivered for purchase and a statement that such Holder is withdrawing his election to have such Note purchased;

(8) that, if the aggregate principal amount of Notes and other pari passu Indebtedness surrendered by Holders exceeds the Offer Amount, the Issuers will select the Notes and other pari passu Indebtedness to be purchased on a pro rata basis based on the principal amount of Notes and such other pari passu Indebtedness surrendered (with such adjustments as may be deemed appropriate by the Issuers so that only Notes in denominations of $1,000, or integral multiples thereof, will be purchased); and

(9) that Holders whose Notes were purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered (or transferred by book-entry transfer).

On or before the Purchase Date, the Issuers will, to the extent lawful, accept for payment, on a pro rata basis to the extent necessary, the Offer Amount of Notes or portions thereof tendered pursuant to the Asset Sale Offer, or if less than the Offer Amount has been tendered, all Notes tendered, and will deliver to the Trustee an Officers' Certificate stating that such Notes or portions thereof were accepted for payment by the Issuers in accordance with the terms of this Section 3.10. The Issuers, the Depositary or the Paying Agent, as the case may be, will promptly (but in any case not later than five days after the Purchase Date) mail or deliver to each tendering Holder an amount equal to the purchase price of the Notes tendered by such Holder and accepted by the Issuers for purchase, and the Issuers will promptly issue a new Note, and the Trustee, upon written request from the Issuers will authenticate and mail or deliver such new Note to such Holder, in a principal amount equal to any unpurchased portion of the Note surrendered. Any Note not so accepted shall be promptly mailed or delivered by the Issuers to the Holder thereof. The Issuers will publicly announce the results of the Asset Sale Offer on the Purchase Date.

Other than as specifically provided in this Section 3.10, any purchase pursuant to this Section 3.10 shall be made pursuant to the provisions of Sections 3.01 through 3.06 hereof.

ARTICLE 4.
COVENANTS

Section 4.01 Payment of Notes.

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

The Issuers will 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 Notes to the extent lawful; they will pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue installments of interest (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 will 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 Notes may be surrendered for registration of transfer or for exchange and where notices and demands to or upon the Issuers in respect of the Notes and this Indenture may be served. The Issuers will 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 fail to maintain any such required office or agency or fails 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 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 will 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 will 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.

(a) Whether or not required by the rules and regulations of the SEC, so long as any Notes are outstanding, the Issuers will furnish to the Holders of Notes, within the time periods specified in the SEC's rules and regulations:

(1) 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 financial information only, a report thereon by the Issuers' certified independent accountants; and

(2) all current 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 of the information and reports referred to in clauses (1) and (2) above with the SEC for public availability within the time periods specified in the SEC's rules and regulations (unless the SEC will not accept such a filing) and make such information available to investors who request it in writing. The Issuers will promptly furnish to Holders of Notes notices of (a) any Payment Default under any instrument evidencing Indebtedness for borrowed money, and (b) any acceleration of such Indebtedness prior to its express maturity. The Issuers will at all times comply with TIA ss. 314(a).

Section 4.04 Compliance Certificate.

(a) The Issuers 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 Issuers and their Subsidiaries during the preceding fiscal year has been made under the supervision of the signing Officers with a view to determining whether the Issuers has kept, observed, performed and fulfilled their obligations under this Indenture, and further stating, as to each such Officer signing such certificate, that, to the best of his or her knowledge, the Issuers have kept, observed, performed and fulfilled each and every covenant contained in this Indenture and are not in default in the performance or observance of any of the terms, provisions and conditions of this Indenture (or, if a Default or Event of Default has occurred, describing all such Defaults or Events of Default of which he or she may have knowledge and what action the Issuers are taking or propose 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 or interest, if any, on the Notes is prohibited or if such event has occurred, a description of the event and what action the Issuers are taking or propose 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(a) above shall be accompanied by a written statement of the Issuers' 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 4 or Article 5 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) So long as any of the Notes are outstanding, the Issuers will deliver to the Trustee, forthwith upon any Officer becoming aware of any Default or Event of Default, an Officers' Certificate specifying such Default or Event of Default and what action the Issuers are taking or propose to take with respect thereto.

Section 4.05 Taxes.

The Issuers will pay, and will 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 Notes.

Section 4.06 Stay, Extension and Usury Laws.

The Issuers covenant (to the extent that they may lawfully do so) that they will 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 the Issuers (to the extent that they may lawfully do so) hereby expressly waive all benefit or advantage of any such law, and covenant that they will not, by resort to any such law, hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law has been enacted.

Section 4.07 Restricted Payments.

(a) The Partnership will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, (all such payments and other actions set forth in these clauses (1) through (4) below being collectively referred to as a "Restricted Payment"):

(1) declare or pay any dividend or any other distribution or payment on or with respect to Capital Stock of the Partnership or any of its Restricted Subsidiaries or any payment made to the direct or indirect holders, in their capacities as such, of Capital Stock of the Partnership or any of its Restricted Subsidiaries other than (a) dividends or distributions payable solely in Capital Stock of the Partnership (excluding Redeemable Capital Stock), or in options, warrants or other rights to purchase Capital Stock of the Partnership (excluding Redeemable Capital Stock); (b) dividends or other distributions to the extent declared or paid to the Partnership or any Restricted Subsidiary of the Partnership; or (c) dividends or other distributions by any Restricted Subsidiary of the Partnership to all holders of Capital Stock of that Restricted Subsidiary on a pro rata basis, including to the General Partner of the Partnership;

(2) purchase, redeem, defease or otherwise acquire or retire for value any Capital Stock of the Partnership or any of its Restricted Subsidiaries, other than any Capital Stock owned the Partnership or a Restricted Subsidiary of the Partnership;

(3) make any principal payment on, or purchase, defease, repurchase, redeem or otherwise acquire or retire for value, prior to any scheduled maturity, scheduled repayment, scheduled sinking fund payment or other stated maturity, any subordinated Indebtedness, other than any such Indebtedness owned by the Partnership or a Restricted Subsidiary of the Partnership; or

(4) make any investment, other than a Permitted Investment, in any entity,

unless, at the time of and after giving effect to such Restricted Payment:

(1) no Default or Event of Default has occurred and is continuing; and

(2) the Restricted Payment, together with the aggregate of all other Restricted Payments made by the Partnership and its Restricted Subsidiaries during the fiscal quarter during which the Restricted Payment is made will not exceed:

(A) if the Consolidated Fixed Charge Coverage Ratio of the Partnership is greater than 1.75 to 1.00, an amount equal to Available Cash for the immediately preceding fiscal quarter; or

(B) if the Consolidated Fixed Charge Coverage Ratio of the Partnership is equal to or less than 1.75 to 1.00, an amount equal to the sum of $50 million, less the aggregate amount of all Restricted Payments made by the Partnership and its Restricted Subsidiaries in accordance with this clause during the period ending on the last day of the fiscal quarter of the Partnership immediately preceding the date of the Restricted Payment and beginning on the first day of the sixteenth full fiscal quarter immediately preceding the date of the Restricted Payment plus the aggregate net cash proceeds of capital contributions to the Partnership from any Person other than a Restricted Subsidiary of the Partnership, or issuance and sale of shares of Capital Stock, other than Redeemable Capital Stock, of the Partnership to any entity other than to a Restricted Subsidiary of the Partnership, in any case made during the period ending on the last day of the fiscal quarter of the Partnership immediately preceding the date of the Restricted Payment and beginning on the first day of the sixteenth full fiscal quarter immediately preceding the date of the Restricted Payment.

(b) The provisions of Section 4.07(a) will not prohibit:

(1) the payment of any dividend or distribution within 60 days after the date of its declaration if, at the date of declaration, the payment would be permitted as stated above;

(2) the redemption, repurchase or other acquisition or retirement of any shares of any class of Capital Stock of the Partnership or any Restricted Subsidiary of the Partnership in exchange for, or out of the net cash proceeds of, a substantially concurrent capital contribution to the Partnership from any entity other than a Restricted Subsidiary of the Partnership; or issuance and sale of other Capital Stock, other than Redeemable Capital Stock, of the Partnership to any entity other than to a Restricted Subsidiary of the Partnership; provided, however, that the amount of any net cash proceeds that are utilized for any redemption, repurchase or other acquisition or retirement will be excluded from the calculation of Available Cash; or

(3) any redemption, repurchase or other acquisition or retirement of subordinated Indebtedness in exchange for, or out of the net cash proceeds of, a substantially concurrent capital contribution to the Partnership from any entity other than a Restricted Subsidiary of the Partnership; or issuance and sale of Indebtedness of the Partnership issued to any entity other than a Restricted Subsidiary or the Partnership, so long as the Indebtedness is Permitted Refinancing Indebtedness; provided, however, that the amount of any net cash proceeds that are utilized for any redemption, repurchase or other acquisition or retirement will be excluded from the calculation of Available Cash.

In computing the amount of Restricted Payments in Section 4.07(a) above, the Restricted Payments permitted by clause (1) of this paragraph (b) will be included and the Restricted Payments permitted by clauses (2) and (3) of this paragraph (b) will not be included.

The amount of all Restricted Payments (other than cash) will be the fair market value on the date of the Restricted Payment of the assets proposed to be transferred by the Partnership or such Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The fair market value of any assets that are required to be valued by this Section 4.07 will be determined in good faith by an authorized financial officer of the General Partner on the date of the Restricted Payment of the assets proposed to be transferred.

Section 4.08 Dividend and Other Payment Restrictions Affecting Subsidiaries.

(a) The Partnership will not, and will not permit any of its Restricted Subsidiaries to, create or otherwise cause or suffer to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary to:

(1) pay dividends, in cash or otherwise, or make any other distributions on or with respect to its Capital Stock or any other interest or participation in, or measured by, its profits;

(2) pay any Indebtedness owed to the Partnership or any other Restricted Subsidiary;

(3) make loans or advances to, or any investment in, the Partnership or any other Restricted Subsidiary;

(4) transfer any of its properties or assets to the Partnership or any other Restricted Subsidiary; or

(5) guarantee any Indebtedness of the Partnership or any other Restricted Subsidiary.

All such restrictions and other actions set forth in these clauses (1) through (5) above being collectively referred to as "Payment Restrictions."

(b) The provisions of Section 4.08(a) will not apply to (and therefore the following are permitted) encumbrances or restrictions existing under or by reason of:

(1) applicable law;

(2) any agreement in effect at or entered into on the date of this Indenture or any agreement relating to any Indebtedness permitted to be incurred under this Indenture (including agreements or instruments evidencing Indebtedness incurred after the date of this Indenture); provided, however, that the encumbrances and restrictions contained in the agreements governing such permitted Indebtedness are no more restrictive with respect to the Payment Restrictions than those set forth in the agreements governing the Partnership's existing Indebtedness as in effect on the date of this Indenture;

(3) customary non-assignment provisions of any contract or any lease governing a leasehold interest of the Partnership or any Restricted Subsidiary;

(4) specific purchase money obligations or Capital Leases for property subject to such obligations;

(5) any agreement of an entity (or any it its Restricted Subsidiaries) acquired by the Partnership or any Restricted Subsidiary, in existence at the time of the acquisition but not created in contemplation of the acquisition, which encumbrance or restriction is not applicable to any third party other than the entity; or

(6) provisions contained in instruments relating to Indebtedness which prohibit the transfer of all or substantially all of the assets of the obligor of the Indebtedness unless the transferee shall assume the obligations of the obligor under the agreement or instrument.

Section 4.09 Incurrence of Indebtedness.

(a) The Partnership will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, issue, assume, guarantee or in any manner become directly or indirectly liable, contingently or otherwise, for the payment, in each case, to "incur," any Indebtedness, unless at the time of the incurrence and after giving pro forma effect to the receipt and application of the proceeds of the Indebtedness, the Consolidated Fixed Charge Coverage Ratio of the Partnership is greater than 2.00 to 1.00.

(b) The provisions of Section 4.09(a) will not prohibit the incurrence by the Partnership and its Restricted Subsidiary of any of the following items of Indebtedness (collectively, "Permitted Indebtedness"):

(1) Indebtedness outstanding as of the date of this Indenture;

(2) Indebtedness of the Partnership or a Restricted Subsidiary incurred for the making of expenditures for the improvement or repair, to the extent the improvements or repairs may be capitalized in accordance with GAAP, or additions, including by way of acquisitions of businesses and related assets, to the property and assets of the Partnership and its Restricted Subsidiaries, including, without limitation, the acquisition of assets subject to operating leases, Indebtedness incurred under the Credit Facilities, or incurred by assumption in connection with additions, including additions by way of acquisitions or capital contributions of businesses and related assets, to the property and assets of the Partnership and its Restricted Subsidiaries; provided, that the aggregate principal amount of this Indebtedness outstanding at any time may not exceed $75 million;

(3) Indebtedness of the Partnership or a Restricted Subsidiary (a) incurred for any purpose permitted under the Credit Facilities, or (b) owing in respect of any Accounts Receivable Securitization, operating lease, or other off-balance sheet obligation existing on the date of this Indenture that arises because, after the date of this Indenture, such off-balance sheet obligations are refinanced with Indebtedness, provided, that the aggregate principal amount of this Indebtedness outstanding under this clause at any time may not exceed an amount equal to the sum of (x) $400 million plus (y) the amount, if any, by which the Borrowing Base as of the date of calculation exceeds the amount of the Borrowing Base as of December 31, 2003;

(4) Indebtedness of the Partnership owed to the General Partner or an Affiliate of the General Partner that is unsecured and that is subordinated in right of payment to the Notes; provided, that the aggregate principal amount of this Indebtedness outstanding at any time under this clause may not exceed $50 million and this Indebtedness has a final maturity date later than the final maturity date of the Notes;

(5) Indebtedness owed by the Partnership to any Restricted Subsidiary or owed by any Restricted Subsidiary to the Partnership or to any other Restricted Subsidiary;

(6) Permitted Refinancing Indebtedness (including, for the avoidance of doubt, Indebtedness incurred as permitted under the Consolidated Fixed Charge Coverage Ratio set forth in Section 4.09(a) above);

(7) the incurrence by the Partnership or a Restricted Subsidiary of Indebtedness owing directly to its insurance carriers, without duplication, in connection with the Partnership's, its Subsidiaries' or its Affiliates' self-insurance programs or other similar forms of retained insurable risks for their respective businesses, consisting of reinsurance agreements and indemnification agreements, and guarantees of the foregoing, secured by letters of credit; provided, that any Consolidated Fixed Charges associated with the Indebtedness evidenced by the reinsurance agreements, indemnification agreements, guarantees and letters of credit will be included, without duplication, in any determination of the Consolidated Fixed Charge Coverage Ratio test set forth in Section 4.09(a) above;

(8) Indebtedness of the Partnership and its Restricted Subsidiaries in respect of Capital Leases, meaning, generally, any lease of any property which would be required to be classified and accounted for as a capital lease on a balance sheet of the lessor; provided, that the aggregate amount of this Indebtedness outstanding at any time may not exceed $15 million;

(9) Indebtedness of the Partnership and its Restricted Subsidiaries represented by letters of credit supporting (a) obligations under workmen's compensation laws, (b) obligations to suppliers of propane or energy commodity derivative providers in the ordinary course of business consistent with past practices not to exceed $10 million at any one time outstanding and (c) the repayment of Indebtedness permitted to be incurred under this Indenture;

(10) 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;

(11) Indebtedness of the Partnership or its Restricted Subsidiaries incurred in connection with acquisitions of retail propane businesses in favor of the sellers of such businesses in an aggregate principal amount not to exceed $15 million in any fiscal year and not to exceed $60 million at any one time outstanding; 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, to the extent issued by the Partnership, such Indebtedness is expressly subordinated to the Notes; and

(12) the Notes (other than Additional Notes) and the Exchange Notes.

For purposes of determining compliance with this Section 4.09, in the event that an item of Indebtedness meets the criteria of more than one of the categories of Permitted Indebtedness described in clauses (1) through (12) above or is entitled to be incurred in compliance with the Consolidated Fixed Charge Coverage Ratio pursuant to Section 4.09(a) above, the Partnership, may, in its sole discretion, classify (or later reclassify) in whole or in part such items of Indebtedness in any manner that complies with this Section 4.09, and such item of Indebtedness or a portion thereof may be classified (or later reclassified) in whole or in part as having been incurred under more than one of the applicable clauses of Permitted Indebtedness or in compliance with the Consolidated Fixed Charge Coverage Ratio set forth in Section 4.09(a) above.

Section 4.10 Asset Sales.

The Partnership will not, and will not permit any of its Restricted Subsidiaries to, complete an Asset Sale unless:

(1) the Partnership or its Restricted Subsidiary, as the case may be, receives consideration at the time of such Asset Sale at least equal to the fair market value, as determined in good faith by an authorized financial officer of the General Partner, of the assets sold or otherwise disposed of; and

(2) at least 75% of the consideration therefor received by the Partnership or such Restricted Subsidiary is in the form of cash.

For purposes of determining the amount of cash received in an Asset Sale, each of the following shall be deemed to be cash:

(1) the amount of any liabilities on the Partnership's or any Restricted Subsidiary's balance sheet that are assumed by the transferee of the assets; and

(2) the amount of any notes or other obligations received by the Partnership or the Restricted Subsidiary from the transferee that is converted within 180 days by the Partnership or the Restricted Subsidiary into cash, to the extent of the cash received.

Furthermore, the 75% limitation will not apply to any Asset Sale in which the cash portion of the consideration received is equal to or greater than the after-tax proceeds would have been had the Asset Sale complied with the 75% limitation.

If the Partnership or any of its Restricted Subsidiaries receives Net Proceeds exceeding $10 million from one or more Asset Sales in any fiscal year, then within 340 days after the date the aggregate amount of Net Proceeds exceeds $10 million, the Partnership must apply the amount of such Net Proceeds either:

(1) to reduce Indebtedness of the Partnership or any of its Restricted Subsidiaries, with a permanent reduction of availability in the case of revolving Indebtedness; or

(2) to make an investment in assets or capital expenditures useful to the Partnership's or any of its Subsidiaries' business as in effect on the date of this Indenture or business related or ancillary thereto.

Pending the final application of any such Net Proceeds, the Partnership or any Restricted Subsidiary may temporarily reduce borrowings under the Credit Facilities or otherwise invest such Net Proceeds in any manner that is not prohibited by this Indenture.

Any Net Proceeds from Asset Sales that are not applied or invested as provided above will be considered "Excess Proceeds." When the aggregate amount of Excess Proceeds exceeds $10 million, within 15 days thereof, the Issuers will make an Asset Sale Offer to all Holders of Notes and all holders of other Indebtedness outstanding that is pari passu with the Notes containing provisions similar to those set forth in this Indenture with respect to offers to purchase or redeem with the proceeds of sales of assets in accordance with Section 3.10 hereof to purchase for cash the maximum principal amount of Notes and such other pari passu Indebtedness that may be purchased out of the Excess Proceeds. The offer price in any Asset Sale Offer will be equal to 100% of principal amount plus accrued and unpaid interest to the date of purchase. To the extent that the aggregate amount of Notes tendered in response to the Issuers' purchase offer is less than the Excess Proceeds, the Partnership or any Restricted Subsidiary may use such deficiency for general business purposes. If the aggregate principal amount of Notes and such other pari passu Indebtedness tendered into such Asset Sale Offer exceeds the amount of Excess Proceeds, the Trustee shall select the Notes and such other pari passu Indebtedness to be purchased on pro rata basis in proportion to the aggregate principal amount of Notes and such other pari passu Indebtedness tendered. Upon completion of each Asset Sale Offer, the amount of Excess Proceeds shall be reset at zero.

The Issuers will 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 each repurchase of Notes pursuant to an Asset Sale Offer. To the extent that the provisions of any securities laws or regulations conflict with the provisions of Sections 3.10 or 4.10 of this Indenture, the Issuers will comply with the applicable securities laws and regulations and will not be deemed to have breached their obligations under those provisions of this Indenture by virtue of such conflict.

Section 4.11 Transactions with Affiliates.

(a) The Partnership will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, enter into or suffer to exist any transaction or series of related transactions, including the sale, transfer, disposition, purchase, exchange or lease of assets, property or services, other than as provided for in the partnership agreement or other organizational documents, as applicable, and the other agreements entered into between the Partnership and any of its Affiliates, with, or for the benefit of, any Affiliates of the Partnership (each an "Affiliate Transaction"), unless:

(1) the transaction or series of related transactions are between the Partnership and its Restricted Subsidiaries or between two Restricted Subsidiaries; or

(2) the transaction or series of related transactions are on terms that are no less favorable to the Partnership or the Restricted Subsidiary, as the case may be, than those which would have been obtained in a comparable transaction at such time from an entity that is not an Affiliate of the Partnership or Restricted Subsidiary, and, with respect to transaction(s) involving aggregate payments or value equal to or greater than $20 million, the Partnership delivers an Officers' Certificate to the Trustee certifying that the transaction(s) is on terms that are no less favorable to the Partnership or the Restricted Subsidiary than those which would have been obtained from an entity that is not an Affiliate of the Partnership or Restricted Subsidiary and has been approved by a majority of the Board of Directors of the General Partner, including a majority of the disinterested directors.

(b) The following items will not be deemed to be Affiliate Transactions and, therefore, will not be subject to the provisions of Section 4.11(a) or otherwise be restricted by this Indenture or the Notes:

(1) any employment agreement, stock option agreement, restricted stock agreement, employee stock ownership plan related agreements, or similar agreement and arrangements, in the ordinary course of business;

(2) transactions permitted by Section 4.07 hereof;

(3) transactions 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 business operated by the Partnership, its Subsidiaries and Affiliates;

(4) any Accounts Receivable Securitization;

(5) any affiliate trading transactions done in the ordinary course of business;

(6) any transaction that is a Flow-Through Acquisition;

(7) transactions entered into in connection with the Escrow Mergers and the merger of Blue Rhino LLC into the Partnership; and

(8) transactions contemplated by the Contribution Agreement.

Section 4.12 Liens.

The Partnership will not, and will not permit any of its Restricted Subsidiaries to incur any Liens or other encumbrance, unless the Lien is a Permitted Lien or the Notes are directly secured equally and ratably with the obligation or liability secured by such Lien.

Section 4.13 Corporate Existence.

Subject to Article 5 hereof, the Partnership shall do or cause to be done all things necessary to preserve and keep in full force and effect:

(1) its partnership existence, and the corporate, partnership or other existence of each of its Restricted Subsidiaries, in accordance with the respective organizational documents (as the same may be amended from time to time) of the Partnership or any such Restricted Subsidiary; and

(2) the rights (charter and statutory), licenses and franchises of the Partnership and its Restricted Subsidiaries; provided, however, that the Partnership shall not be required to preserve any such right, license or franchise, or the corporate, partnership or other existence of any of its Restricted Subsidiaries, if the Board of Directors shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Partnership and its Restricted Subsidiaries, taken as a whole, and that the loss thereof is not adverse in any material respect to the Holders of the Notes.

Section 4.14 Offer to Repurchase Upon Change of Control.

(a) Upon the occurrence of a Change of Control, the Issuers will make an offer (a "Change of Control Offer") to each Holder to repurchase, in cash, all or any part (equal to $1,000 or an integral multiple of $1,000) of that Holder's Notes at a purchase price equal to 101% of the aggregate principal amount of the Notes or portion of Notes validly tendered for payment thereof plus accrued and unpaid interest on the Notes repurchased, if any, to the date of purchase (the "Change of Control Payment"). Within 30 days following any Change of Control, the Issuers will mail a notice to each Holder describing the transaction or transactions that constitute the Change of Control and stating:

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

(2) the purchase price and the purchase date, which shall be no later than 30 Business Days from the date such notice is mailed (the "Change of Control Payment Date");

(3) that any Note not tendered will continue to accrue interest;

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

(5) that Holders electing to have any Notes purchased pursuant to a Change of Control Offer will be required to surrender the Notes, with the form entitled "Option of Holder to Elect Purchase" on the reverse of the Notes 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 any election to have their Notes purchased 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 Notes delivered for purchase, and a statement that such Holder is withdrawing his election to have the Notes purchased; and

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

The Issuers will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with the repurchase of the Notes as a result of a Change in Control. To the extent that the provisions of any securities laws or regulations conflict with the provisions of Sections 3.10 or 4.14 of this Indenture, the Issuers will comply with the applicable securities laws and regulations and will not be deemed to have breached their obligations under Section 3.10 or this Section 4.14 by virtue of such conflict.

(b) On the Change of Control Payment Date, the Issuers will, to the extent lawful:

(1) accept for payment all Notes or portions thereof properly tendered in accordance with the Change of Control Offer;

(2) deposit an amount equal to the Change of Control Payment for the Notes with the Paying Agent in respect of all Notes or portions of Notes properly tendered; and

(3) deliver or cause to be delivered to the Trustee the Notes so accepted together with an Officers' Certificate stating the aggregate principal amount of Notes or portions of Notes being tendered to the Issuers.

The Paying Agent will promptly mail to each Holder of Notes properly tendered the Change of Control Payment for such Notes, and the Trustee will promptly authenticate and mail (or cause to be transferred by book entry) to each Holder a new Note equal in principal amount to any unpurchased portion of the Notes surrendered, if any; provided that each new Note will be in a principal amount of $1,000 or an integral multiple thereof. The Issuers will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

(c) Notwithstanding anything to the contrary in this Section 4.14, the Issuers will not be required to make a Change of Control Offer upon a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in this Section 4.14 and Section 3.10 hereof and purchases all Notes properly tendered and not withdrawn under the Change of Control Offer.

Section 4.15 Limitation on Sale and Leaseback Transactions.

The Partnership will not, and will not permit any of its Restricted Subsidiaries to, enter into any Sale and Leaseback Transaction with respect to their properties unless the Partnership or the Restricted Subsidiary is permitted under this Indenture to incur Indebtedness secured by a Lien on the property in an amount equal to the Attributable Debt with respect to the Sale and Leaseback Transaction.

Section 4.16 Limitation on Finance Corp. and Escrow Finance Corp.

In addition to the restrictions set forth under Section 4.09 hereof, Finance Corp. and Escrow Finance Corp. will not incur any Indebtedness unless:

(1) the Partnership is a co-obligor or guarantor of the Indebtedness; or

(2) the net proceeds of the Indebtedness are either 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 limitation of this Section 4.16.

Finance Corp. and Escrow Finance Corp. will not engage in any business not related, directly or indirectly, to obtaining money or arranging financing for the Partnership.

Section 4.17 Limitation on Other Activities.

Notwithstanding anything in this Indenture to the contrary, prior to the consummation of the Escrow Mergers, Escrow LLC and Escrow Finance Corp. will not engage in any business operations or other activities, other than those contemplated in connection with the Notes, the Escrow Mergers and the Escrow and Security Agreement.

ARTICLE 5.
SUCCESSORS

Section 5.01 Merger, Consolidation, or Sale of Assets.

The Partnership shall not consolidate or merge with or into, 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 entity unless:

(1) the Partnership is the surviving entity or the entity formed by or surviving the transaction, if other than the Partnership, or the entity to which the sale was made is a corporation or partnership organized or existing under the laws of the United States, any state thereof or the District of Columbia;

(2) the entity formed by or surviving the transaction, if other than the Partnership, or the entity to which the sale was made assumes all the obligations of the Partnership in accordance with a supplemental indenture in a form reasonably satisfactory to the Trustee, under the Notes and this Indenture;

(3) immediately after the transaction, no Default or Event of Default exists; and

(4) at the time of the transaction and after giving pro forma effect to it as if the transaction had occurred at the beginning of the applicable four-quarter period, the Partnership or such other entity or survivor is permitted to incur at least $1.00 of additional Indebtedness in accordance with the Consolidated Fixed Charge Coverage Ratio described in Section 4.09(a) hereof.

This Section 5.01 will not apply to a sale, assignment, transfer, conveyance or other disposition of assets between or among the Partnership and any of its Restricted Subsidiaries. Finance Corp. will not consolidate or merge with or into, whether or not it is the surviving entity, 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 entity except under conditions similar to those described in the paragraph above.

Notwithstanding the foregoing, clauses (3) and (4) of the first paragraph of this covenant will not apply to the Escrow Mergers.

Section 5.02 Successor Corporation 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 a transaction that is subject to, and that complies with the provisions of, Section 5.01 hereof, the successor corporation formed by such consolidation or into or with which the Partnership or Finance Corp., as applicable, 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" or "Finance Corp.," as applicable, shall refer instead to the successor corporation and not to Partnership or Finance Corp., as applicable), and may exercise every right and power of the Partnership or Finance Corp., as applicable, under this Indenture with the same effect as if such successor Person had been named as the Partnership or Finance Corp., as applicable, herein; provided, however, that Partnership or Finance Corp., as applicable, shall not be relieved from the obligation to pay the principal of and interest on the Notes except in the case of a sale of all of assets of the Partnership or Finance Corp., as applicable, in a transaction that is subject to, and that complies with the provisions of, Section 5.01 hereof.

ARTICLE 6.
DEFAULTS AND REMEDIES

Section 6.01 Events of Default.

Each of the following is an "Event of Default":

(1) default in the payment of the principal of or premium, if any, on any Note when the same becomes due and payable, upon stated maturity, acceleration, optional redemption, required purchase, scheduled principal payment or otherwise;

(2) default in the payment of an installment of interest on any of the Notes, when the same becomes due and payable, which default continues for a period of 30 days;

(3) failure to perform or observe any other term, covenant or agreement contained in the Notes or this Indenture, other than a default specified in either Section 6.01(1) or (2) above, and the default continues for a period of 45 days after written notice of the default requiring the Issuers to remedy the same will have been given to the Partnership by the Trustee or to the Issuers and the Trustee by Holders of at least 25% in aggregate principal amount of the Notes then outstanding;

(4) failure to perform or observe any material term, covenant or agreement contained in the Escrow and Security Agreement;

(5) default or defaults under one or more agreements, instruments, mortgages, bonds, debentures or other evidences of Indebtedness under which the Partnership or any Restricted Subsidiary of the Partnership then has outstanding Indebtedness in excess of $10 million, if the default:

(a) is caused by a failure to pay principal of or premium, if any, or interest on to such Indebtedness within the applicable grace period, if any, provided with respect to such Indebtedness; or

(b) results in the acceleration of such Indebtedness prior to its stated maturity;

(6) the Escrow and Security Agreement or any other security document or any Lien purported to be granted thereby on the Escrow Account or the cash or escrow investments therein is held in any judicial proceeding to be unenforceable or invalid, in whole or in part, or ceases for any reason (other than pursuant to a release that is delivered or becomes effective as set forth in the Escrow and Security Agreement or this Indenture) to be fully enforceable and perfected;

(7) a final judgment or judgments, which is or are non-appealable and non-reviewable or which has or have not been stayed pending appeal or review or as to which all rights to appeal or review have expired or been exhausted, shall be rendered against the Partnership, any Restricted Subsidiary, or the General Partner provided such judgment or judgments requires or require the payment of money in excess of $10 million in the aggregate and is not covered by insurance or discharged or stayed pending appeal or review within 60 days after entry of such judgment; in the event of a stay, the judgment shall not be discharged within 30 days after the stay expires; or

(8) the Issuers or any of their Significant Subsidiaries pursuant to or within the meaning of Bankruptcy Law:

(A) commences a voluntary case,

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

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

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

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

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

(A) is for relief against the Issuers or any of their Significant Subsidiaries in an involuntary case;

(B) appoints a custodian of the Issuers or any of their Significant Subsidiaries or for all or substantially all of the property of the Issuers or any of their Significant Subsidiaries; or

(C) orders the liquidation of the Issuers or any of their Significant Subsidiaries;

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

Section 6.02 Acceleration.

In the case of an Event of Default specified in clause (8) or (9) of Section 6.01 hereof, with respect to the Partnership, Finance Corp. or any Significant Subsidiary, all outstanding Notes will become due and payable immediately without further action or notice. If any other Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in principal amount of the applicable series of Notes then outstanding may declare all the Notes of that series to be due and payable immediately.

Upon any such declaration, the Notes shall become due and payable immediately. The Holders of a majority in aggregate principal amount of a series of Notes issued under this Indenture and then outstanding by notice to the Trustee may on behalf of all of the Holders of that series 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 premium that has become due solely because of the acceleration) have been cured or waived.

If an Event of Default by reason of any action (or inaction) taken (or not taken) by or on behalf of the Issuers with the willful intention of avoiding payment of the premium that the Issuers would have had to pay if the Issuers then had elected to redeem the Notes pursuant to Section 3.07 hereof, then, upon acceleration of the Notes, 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 Notes to the contrary notwithstanding.

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, premium, if any, and interest on the Notes or to enforce the performance of any provision of the Notes or this Indenture.

The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding. A delay or omission by the Trustee or any Holder of a 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 a series of Notes issued under this Indenture and then outstanding by notice to the Trustee for those Notes may on behalf of the Holders of the Notes of that series waive any 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, or interest on, the Notes; provided, however, that the Holders of a majority in aggregate principal amount of the then outstanding 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 Notes may direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee of that series of Notes 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 that the Trustee determines may be unduly prejudicial to the rights of other Holders of Notes or that may subject the Trustee to personal liability.

Section 6.06 Limitation on Suits.

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

(1) the Holder of a Note gives to the Trustee written notice of a continuing Event of Default;

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

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

(4) 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

(5) during such 60-day period the Holders of a majority in principal amount of the then outstanding Notes do not give the Trustee a direction inconsistent with the request.

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

Section 6.07 Rights of Holders of Notes to Receive Payment.

Notwithstanding any other provision of this Indenture, the right of any Holder of a Note to receive payment of principal, premium, if any, and interest on the Note, on or after the respective due dates expressed in the Note (including in connection with an offer to purchase), 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(1) or (2) 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, and interest remaining unpaid on the 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 Notes allowed in any judicial proceedings relative to the Issuers (or any other obligor upon the Notes), their creditors or their 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 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 6, 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, expense and liabilities incurred, and all advances made, by the Trustee and the costs and expenses of collection;

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

Third: to the Issuers 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 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 6.11 does not apply to a suit by the Trustee, a suit by a Holder of a 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 will exercise such of the rights and powers vested in it by this Indenture, and, in the exercise of its power, use the same degree of care and skill in its exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

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

(1) the duties of the Trustee will 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

(2) 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 will 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:

(1) this paragraph does not limit the effect of paragraph (b) of this Section 7.01;

(2) the Trustee will 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

(3) the Trustee will 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 7.01.

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

(f) The Trustee will 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 an Officers' Certificate or an Opinion of Counsel or both. The Trustee will 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 will 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 shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of Indebtedness or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit and shall incur no liability or additional liability of any kind by reason of such inquiry or investigation.

(d) Except with respect to Section 4.01 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 of any Default or Event of Default except (i) any Event of Default occurring pursuant to Sections 6.01(1), 6.01(2) and 4.01 hereof or (ii) any Default or Event of Default of which the Trustee shall have received written notification in the manner set forth in this Indenture or an Officer in the Corporate Trust Office of the Trustee shall have obtained actual knowledge. Delivery of reports, information and documents to the Trustee under Section 4.03 is for informational purposes only and the Trustee's receipt of the foregoing shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Issuers' compliance with any of their covenants thereunder (as to which the Trustee is entitled to rely exclusively on an Officers' Certificate.)

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

(f) The Trustee will 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.

(g) Unless otherwise specifically provided in this Indenture, any demand, request, direction or notice from the Issuers will be sufficient if signed by an Officer of the Issuers.

(h) The Trustee will 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 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.

Section 7.03 Individual Rights of Trustee.

The Trustee in its individual or any other capacity may become the owner or pledgee of Notes and may otherwise deal with the Issuers or any Affiliate of the Issuers 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 will not be responsible for and makes no representation as to the validity or adequacy of this Indenture or the Notes, it shall not be accountable for the Issuers' use of the proceeds from the Notes or any money paid to the Issuers or upon the Issuers' direction under any provision of this Indenture, it will not be responsible for the use or application of any money received by any Paying Agent other than the Trustee, and it will not be responsible for any statement or recital herein or any statement in the Notes or any other document in connection with the sale of the 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 will mail to Holders of 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 on any Note, the Trustee may withhold the notice if the Trustee determines in good faith determines that withholding the notice is in the interests of the Holders of the Notes.

Section 7.06 Reports by Trustee to Holders of the Notes.

(a) Within 60 days after each May 15 beginning with the May 15 following the date of this Indenture, and for so long as Notes remain outstanding, the Trustee will mail to the Holders of the 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 will comply with TIA ss. 313(b)(2). The Trustee will also transmit by mail all reports as required by TIA ss. 313(c).

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

Section 7.07 Compensation and Indemnity.

(a) The Issuers will pay to the Trustee from time to time reasonable compensation for its acceptance of this Indenture and services hereunder. The Trustee's compensation will not be limited by any law on compensation of a trustee of an express trust. The Issuers will 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 will include the reasonable compensation, disbursements and expenses of the Trustee's agents and counsel.

(b) The Issuers will 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 (including this Section 7.07) and defending itself against any claim (whether asserted by the Issuers 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 will notify the Issuers promptly of any claim for which it may seek indemnity. Failure by the Trustee to so notify the Issuers will not relieve the Issuers of their obligations hereunder. The Issuers will defend the claim and the Trustee will cooperate in the defense. The Trustee may have separate counsel and the Issuers will pay the reasonable fees and expenses of such counsel. The Issuers need not pay for any settlement made without its consent, which consent will not be unreasonably withheld.

(c) The obligations of the Issuers under this Section 7.07 will survive the satisfaction and discharge of this Indenture.

(d) To secure the Issuers' payment obligations in this Section 7.07, the Trustee will have a claim prior to the Notes on all money or property held or collected by the Trustee, except that held in trust to pay principal and interest on particular Notes. Such claim will survive the satisfaction and discharge of this Indenture.

(e) When the Trustee incurs expenses or renders services after an Event of Default specified in Section 6.01(6) or (7) 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.

(f) The Trustee will comply with the provisions of TIAss. 313(b)(2) to the extent applicable.

Section 7.08 Replacement of Trustee.

(a) A resignation or removal of the Trustee and appointment of a successor Trustee will become effective only upon the successor Trustee's acceptance of appointment as provided in this Section 7.08.

(b) 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 a majority in principal amount of the then outstanding Notes may remove the Trustee by so notifying the Trustee and the Issuers in writing. The Issuers may remove the Trustee if:

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

(2) 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;

(3) a custodian or public officer takes charge of the Trustee or its property; or

(4) the Trustee becomes incapable of acting.

(c) If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason, the Issuers will 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 Notes may appoint a successor Trustee to replace the successor Trustee appointed by the Issuers.

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

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

(f) A successor Trustee will deliver a written acceptance of its appointment to the retiring Trustee and to the Issuers. Thereupon, the resignation or removal of the retiring Trustee will become effective, and the successor Trustee will have all the rights, powers and duties of the Trustee under this Indenture. The successor Trustee will mail a notice of its succession to Holders. The retiring Trustee will 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 claim provided for in Section 7.07 hereof. Notwithstanding replacement of the Trustee pursuant to this Section 7.08, the Issuers' obligations under Section 7.07 hereof will 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 will be the successor Trustee.

Section 7.10 Eligibility; Disqualification.

There will 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 will 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 the 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 of the General Partner, on the Issuers' behalf, and the Board of Directors of Finance Corp., and at any time, elect to have Section 8.02 hereof be applied to all outstanding Notes upon compliance with the conditions set forth below in this Article 8. The Issuers may, at their option and at any time, elect to have Section 8.03 hereof be applied to all outstanding 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, the Issuers will, subject to the satisfaction of the conditions set forth in Section 8.04 hereof, be deemed to have been discharged from their obligations with respect to all outstanding Notes on the date the conditions set forth below are satisfied (hereinafter, "Legal Defeasance"). For this purpose, Legal Defeasance means that the Issuers will be deemed to have paid and discharged the entire Indebtedness represented by the outstanding Notes, which will 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 clauses (1) and (2) below, and to have satisfied all their other obligations under such 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 will survive until otherwise terminated or discharged hereunder:

(1) the rights of Holders of outstanding Notes to receive payments in respect of the principal of, or interest or premium, if any, on such Notes when such payments are due from the trust referred to in Section 8.04 hereof;

(2) the Issuers' obligations with respect to the Notes concerning issuing temporary Notes, registration of Notes or mutilated, destroyed, lost or stolen Notes under Article 2;

(3) the Issuers' obligation to maintain an office or agency for payment under Section 4.02 hereof and money for security payments held in trust;

(4) the rights, powers, trusts, duties and immunities of the Trustee hereunder and the Issuers' obligations in connection therewith; and

(5) the legal defeasance and covenant defeasance provisions of 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 their 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, the Issuers will, subject to the satisfaction of the conditions set forth in Section 8.04 hereof, be released from each of their obligations under the covenants contained in Sections 4.07, 4.08, 4.09, 4.10, 4.11, 4.12, 4.14, 4.15 and 4.16 hereof and clause (4) of Section 5.01 hereof with respect to the outstanding Notes on and after the date the conditions set forth in Section 8.04 hereof are satisfied (hereinafter, "Covenant Defeasance"), and the Notes will 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 will continue to be deemed "outstanding" for all other purposes hereunder (it being understood that such Notes will not be deemed outstanding for accounting purposes). For this purpose, Covenant Defeasance means that, with respect to the outstanding Notes, the Issuers may omit to comply with and will 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 will not constitute a Default or an Event of Default under Section 6.01 hereof, but, except as specified above, the remainder of this Indenture and such Notes will 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(3) through 6.01(4) hereof will not constitute Events of Default.

Section 8.04 Conditions to Legal or Covenant Defeasance.

In order to exercise either Legal Defeasance or Covenant Defeasance under either Section 8.02 or 8.03 hereof:

(1) the Issuers must irrevocably deposit with the Trustee, in trust, for the benefit of the Holders, cash in United States dollars, non-callable Government Securities, or a combination thereof, in such amounts as will be sufficient, in the opinion of a nationally recognized firm of independent public accountants, to pay the principal of, premium, if any, and interest on the outstanding Notes on the stated maturity date for payment thereof or on the applicable redemption date, as the case may be;

(2) the Issuers will deliver to the Trustee an Opinion of Counsel stating that:

(a) 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, and all conditions precedent provided for or relating to the Legal Defeasance or the Covenant Defeasance have been complied with and confirming other matters;

(b) in the case of an election under Section 8.02 hereof, that the Issuers have received from, or there has been published by, the Internal Revenue Service a ruling, or since the date of this Indenture, there shall have been a change in the applicable federal income tax law, in either case to the effect that, and based thereon, the Holders of the outstanding 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; and

(c) in the case of an election under Section 8.03 hereof, that the Holders of the outstanding 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;

(3) the Issuers must deliver to the Trustee an Officers' Certificate stating that the deposit was not made by the Issuers with the intent of preferring the Holders of Notes over the other creditors of the Issuers or with the intent of defeating, hindering, delaying or defrauding any other creditors of the Issuers;

(4) no Event of Default shall have occurred and be continuing on the date of such deposit or insofar as Events of Default described in Section 6.01(6) or (7) hereof are concerned, at any time in the period ending on the 91st day after the date of deposit; and

(5) such Legal Defeasance or Covenant Defeasance will not result in a breach, violation of, or constitute a default under, any material agreement or instrument (other than this Indenture) to which the Issuers or any of their Restricted Subsidiaries is a party or by which the Issuers or any of their Restricted Subsidiaries is bound.

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 Notes will be held in trust and applied by the Trustee, in accordance with the provisions of such Notes and this Indenture, to the payment, either directly or through any Paying Agent (including the Issuers or any of their Restricted Subsidiaries acting as Paying Agent) as the Trustee may determine, to the Holders of such Notes of all sums due and to become due thereon in respect of principal, premium, if any, and interest, but such money need not be segregated from other funds except to the extent required by law.

The Issuers will 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 Notes.

Notwithstanding anything in this Article 8 to the contrary, the Trustee will 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(1) 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 the 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, or interest on any Note and remaining unclaimed for two years after such principal, premium, if any, or interest has become due and payable shall be paid to the Issuers on their request or (if then held by the Issuers) will be discharged from such trust; and the Holder of such Note will thereafter be permitted to 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, will 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 will 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' obligations under this Indenture and the Notes will 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 make any payment of principal of, premium, if any, or interest on any Note following the reinstatement of its obligations, the Issuers will be subrogated to the rights of the Holders of such 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 Notes.

Notwithstanding Section 9.02 of this Indenture, the Issuers and the Trustee may amend or supplement this Indenture or the Notes without the consent of any Holder of a Note to:

(1) cure any ambiguity, defect or inconsistency;

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

(3) provide for the assumption of the Issuers' obligations to Holders of Notes in the case of a merger or consolidation;

(4) make any change that could provide any additional rights or benefits to the Holders of Notes that does not adversely affect the legal rights under this Indenture of any such Holder;

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

(6) to provide security for or add guarantees with respect to the Notes.

Upon the request of the Partnership accompanied by a resolution of its Board of Directors 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 will join with the Issuers in the execution of any amended or supplemental Indenture authorized or permitted by the terms of this Indenture and to make any further appropriate agreements and stipulations that may be therein contained, but the Trustee will 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 Notes.

Except as provided below in this Section 9.02, the Issuers and the Trustee may amend or supplement this Indenture (including, without limitation, Sections 3.10, 4.10 and 4.14 hereof) and the Notes with the consent of the Holders of at least a majority in principal amount of the Notes then outstanding (including, without limitation, consents obtained in connection with a tender offer or exchange offer for the Notes), and, subject to Sections 6.04 and 6.07 hereof, any existing Default or Event of Default (other than a continuing Default or Event of Default in the payment of the principal of, premium, if any, or interest on the Notes, except a payment default resulting from an acceleration that has been rescinded) may be waived for all Holders of Notes of a series and its consequences under this Indenture with the consent of the Holders of a majority in aggregate principal amount of that series of Notes (including Additional Notes, if any) issued under this Indenture and then outstanding (including, without limitation, consents obtained in connection with a tender offer or exchange offer for the Notes), by notice to the Trustee. Section 2.08 hereof shall determine which Notes are considered to be "outstanding" for purposes of this Section 9.02.

Upon the request of the Partnership accompanied by a resolution of its Board of Directors 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 Notes as aforesaid, and upon receipt by the Trustee of the documents described in Section 7.02 hereof, the Trustee will join with the Issuers in the execution of such amended or supplemental Indenture unless such amended or supplemental Indenture directly affects the Trustee's own rights, duties or immunities under this Indenture or otherwise, in which case the Trustee may in its discretion, but will not be obligated to, enter into such amended or supplemental Indenture.

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

After an amendment, supplement or waiver under this Section 9.02 becomes effective, the Issuers will mail to the Holders of 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, will 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, with the consent of the Holders of a majority in principal amount of the Notes (including, without limitation, Additional Notes, if any) then outstanding (including consents obtained in connection with a tender offer or exchange offer for Notes) may waive any existing default or compliance with any provision of this Indenture or the Notes. However, without the consent of each Holder affected, an amendment or waiver under this Section 9.02 may not (with respect to any Notes held by a non-consenting Holder):

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

(2) reduce the principal of or change the fixed maturity of any Note or alter the provisions with respect to the redemption of the Notes other than as provided above with respect to Sections 3.10, 4.10 and 4.14 hereof;

(3) reduce the rate of or change the time for payment of interest on any Note;

(4) waive a Default in the payment of principal or interest on the Notes;

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

(6) make any change in the provisions of this Indenture relating to waivers of past Defaults or the rights of Holders of Notes to receive payments of principal, premium, if any, or interest on the Notes; or

(7) make any change in the foregoing amendment and waiver provisions.

Without the consent of the Holders of 90% of the principal amount of the Notes then outstanding (including consents obtained in connection with a tender offer or exchange offer for Notes), an amendment or waiver may not:

(1) change the provisions applicable to the redemption of any Note as described in Section 3.09; or

(2) make any change in the Escrow and Security Agreement that would adversely affect the Holders.

Section 9.03 Compliance with Trust Indenture Act.

Every amendment or supplement to this Indenture or the Notes will 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 Note is a continuing consent by the Holder of a Note and every subsequent Holder of a Note or portion of a Note that evidences the same debt as the consenting Holder's Note, even if notation of the consent is not made on any Note. However, any such Holder of a Note or subsequent Holder of a Note may revoke the consent as to its 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 Notes.

The Trustee may place an appropriate notation about an amendment, supplement or waiver on any Note thereafter authenticated. The Issuers in exchange for all Notes may issue and the Trustee shall, upon receipt of an Authentication Order, authenticate new Notes that reflect the amendment, supplement or waiver.

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

Section 9.06 Trustee to Sign Amendments, etc.

The Trustee will 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 Partnership may not sign an amendment or supplemental Indenture until the Board of Directors approves it. In executing any amended or supplemental indenture, the Trustee will be entitled to receive and (subject to Section 7.01 hereof) will be fully protected in relying upon, in addition to the documents required by Section 11.04 hereof, an Officers' 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.
SATISFACTION AND DISCHARGE

Section 10.01 Satisfaction and Discharge.

This Indenture will be discharged and will cease to be of further effect as to all Notes issued hereunder, when:

(1) either:

(a) all Notes that have been authenticated (except lost, stolen or destroyed Notes that have been replaced or paid and Notes for whose payment money has theretofore been deposited in trust and thereafter repaid to the Issuers) have been delivered to the Trustee for cancellation; or

(b) all Notes that have not been delivered to the Trustee for cancellation have become due and payable by reason of the making of a notice of redemption or otherwise or will become due and payable within one year and the Issuers has irrevocably deposited or caused to be deposited with the Trustee as trust funds in trust solely for the benefit of the Holders, cash in U.S. dollars, non-callable Government Securities, or a combination thereof, in such amounts as will be sufficient without consideration of any reinvestment of interest, to pay and discharge the entire indebtedness on the Notes not delivered to the Trustee for cancellation for principal, premium, if any, and accrued interest to the date of maturity or redemption;

(2) no Default or Event of Default has occurred and is continuing on the date of such deposit or will occur as a result of such deposit and such deposit will not result in a breach or violation of, or constitute a default under, any other instrument to which the Issuers are a party or by which the Issuers are bound;

(3) the Issuers have paid or caused to be paid all sums payable by them under this Indenture; and

(4) the Issuers have delivered irrevocable instructions to the Trustee under this Indenture to apply the deposited money toward the payment of the Notes at maturity or the redemption date, as the case may be.

In addition, the Issuers must deliver an Officers' Certificate and an Opinion of Counsel to the Trustee stating that all conditions precedent to satisfaction and discharge have been satisfied.

Notwithstanding the satisfaction and discharge of this Indenture, if money has been deposited with the Trustee pursuant to subclause (b) of clause (1) of this Section, the provisions of Section 10.02 and Section 8.06 will survive. In addition, nothing in this Section 10.01 will be deemed to discharge those provisions of Section 7.07 hereof, that, by their terms, survive the satisfaction and discharge of this Indenture.

Section 10.02 Application of Trust Money.

Subject to the provisions of Section 8.06, all money deposited with the Trustee pursuant to Section 10.01 shall be held in trust and applied by it, in accordance with the provisions of the Notes and this Indenture, to the payment, either directly or through any Paying Agent (including the Issuers acting as their own Paying Agent) as the Trustee may determine, to the Persons entitled thereto, of the principal (and premium, if any) and interest for whose payment such money has been deposited with the Trustee; but such money need not be segregated from other funds except to the extent required by law.

If the Trustee or Paying Agent is unable to apply any money or Government Securities in accordance with Section 10.01 by reason of any legal proceeding or by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, the Issuers' obligations under this Indenture and the Notes shall be revived and reinstated as though no deposit had occurred pursuant to Section 10.01; provided that if the Issuers has made any payment of principal of, premium, if any, or interest on any Notes because of the reinstatement of their obligations, the Issuers shall be subrogated to the rights of the Holders of such Notes to receive such payment from the money or Government Securities held by the Trustee or Paying Agent.

ARTICLE 11.
MISCELLANEOUS

Section 11.01 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 will control.

Section 11.02 Notices.

Any notice or communication by the Issuers 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:

Ferrellgas, L.P.
One Liberty Plaza
Liberty, MO 64068
Telecopier No.: (816) 792-6979
Attention: Kevin T. Kelly

With a copy to:

Bracewell & Patterson, LLP
711 Louisiana Street
South Tower Pennzoil Place, Suite 2900
Houston, TX 77002
Telecopier No.: (713) 221-2121
Attention: Dewey J. Gonsoulin, Jr., Esq.

If to the Trustee:

U.S. Bank National Association
Corporate Trust Services
60 Livingston Avenue
St. Paul, MN 55107-2292
Telecopier No.: (651) 495-8097
Attention: Frank Leslie

The Issuers 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) will 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 will 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 will 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 will 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 the Issuers mails a notice or communication to Holders, they will mail a copy to the Trustee and each Agent at the same time.

Section 11.03 Communication by Holders of Notes with Other Holders of Notes.

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

Section 11.04 Certificate and Opinion as to Conditions Precedent.

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

(1) an Officers' Certificate in form and substance reasonably satisfactory to the Trustee (which must include the statements set forth in Section 11.05 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

(2) an Opinion of Counsel in form and substance reasonably satisfactory to the Trustee (which must include the statements set forth in Section 11.05 hereof) stating that, in the opinion of such counsel, all such conditions precedent and covenants have been satisfied.

Section 11.05 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)) must comply with the provisions of TIA ss. 314(e) and must include:

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

(2) 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;

(3) a statement that, in the opinion of such Person, he or she has made such examination or investigation as is necessary to enable him or her to express an informed opinion as to whether or not such covenant or condition has been satisfied; and

(4) a statement as to whether or not, in the opinion of such Person, such condition or covenant has been satisfied.

Section 11.06 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 11.07 Non-Recourse.

The obligations of the Issuers under this Indenture are non-recourse to Ferrellgas Partners and its Affiliates, other than the Issuers and, after the Escrow Mergers, the General Partner, and are payable only out of the Issuers' cash flow and assets and, after the Escrow Mergers, the cash flow and assets of the General Partner. The Trustee agrees, and each Holder of a Note, by accepting a Note, agrees in this Indenture that Ferrellgas Partners and its other Affiliates will not be liable for any of the Issuers' obligations under this Indenture or the Notes.

Section 11.08 No Personal Liability of Directors, Officers, Employees and Stockholders.

No limited partner of the Partnership or director, officer, employee, incorporator or stockholder of the General Partner, Finance Corp., Escrow LLC or Escrow Finance Corp., as such, will have any liability for any obligations of the Issuers under the Notes or this Indenture or any claim based on, in respect of, or by reason of, such obligations. Each Holder of Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. The waiver may not be effective to waive liabilities under the federal securities laws and it is the view of the SEC that such waiver is against public policy.

Section 11.09 Governing Law.

THE INTERNAL LAW OF THE STATE OF NEW YORK WILL GOVERN AND BE USED TO CONSTRUE THIS INDENTURE AND THE NOTES WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

Section 11.10 Successors.

All agreements of the Issuers in this Indenture and the Notes will bind their successors. All agreements of the Trustee in this Indenture will bind its successors.

Section 11.11 Severability.

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

Section 11.12 Counterpart Originals.

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

Section 11.13 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 will in no way modify or restrict any of the terms or provisions hereof.

[Signatures on following page]

SIGNATURES

Dated as of April 20, 2004

Very truly yours,

FERRELLGAS ESCROW LLC

By: Ferrellgas, L.P., its sole member

By: Ferrellgas, Inc., its general partner

By: /s/ Kevin T. Kelly

Name: Kevin T. Kelly
Title: Senior Vice President and
Chief Financial Officer

FERRELLGAS FINANCE ESCROW CORPORATION

By: /s/ Kevin T. Kelly

Name: Kevin T. Kelly
Title: Senior Vice President and Chief Financial Officer

On and after the Merger
Date, FERRELLGAS, L.P.

By: Ferrellgas, Inc., its general partner

By: /s/ Kevin T. Kelly

Name: Kevin T. Kelly
Title: Senior Vice President and Chief Financial Officer

On and after the Merger Date,
FERRELLGAS FINANCE CORP.

By: /s/ Kevin T. Kelly

Name: Kevin T. Kelly
Title: Senior Vice President and Chief Financial Officer

U.S. Bank national association, as Trustee

By: /s/ Frank P. Leslie III

Name: Frank P. Leslie III
Title: Vice President

[Face of Note]

CUSIP/CINS
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6 3/4% Senior Notes due 2014

No. ___ $_____

FERRELLGAS ESCROW LLC
FERRELLGAS FINANCE ESCROW CORPORATION

promises to pay to CEDE & CO.
---

or registered assigns,

the principal sum of

Dollars on May 1, 2014.

Interest Payment Dates: May 1 and November 1

Record Dates: April 15 and October 15

Dated:

FERRELLGAS ESCROW LLC

By: Ferrellgas, L.P., its sole member

By: Ferrellgas, Inc.,
its General Partner

By:

Name: Kevin T. Kelly
Title: Senior Vice President and Chief Financial Officer

FERRELLGAS FINANCE ESCROW CORPORATION

By:

Name: Kevin T. Kelly
Title: Senior Vice President and Chief Financial Officer

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

U.S. BANK NATIONAL ASSOCIATION
as Trustee

By:

Authorized Signatory

[Back of Note]

6 3/4% Senior Notes due 2014

[Insert the Global Note Legend, if applicable pursuant to the provisions of the Indenture]

[Insert Private Placement Legend, if applicable pursuant to the provisions of the Indenture]

Capitalized terms used herein have the meanings assigned to them in the Indenture referred to below unless otherwise indicated.

(1) INTEREST. Ferrellgas Escrow LLC, a Delaware limited liability company ("Escrow LLC"), and Ferrellgas Finance Escrow Corporation, a Delaware corporation ("Escrow Finance Corp." and together with Escrow LLC, the "Issuers"), promise to pay interest on the principal amount of this Note at 6 3/4% per annum from April 20, 2004 until maturity. The Issuers will pay interest semi-annually in arrears on May 1 and November 1 of each year, or if any such day is not a Business Day, on the next succeeding Business Day (each, an "Interest Payment Date"). Interest on the Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from the date of issuance; provided that if there is no existing Default in the payment of interest, and if this Note is authenticated between a record date referred to on the face hereof and the next succeeding Interest Payment Date, interest shall accrue from such next succeeding Interest Payment Date; provided, further, that the first Interest Payment Date shall be November 1, 2004. The Issuers will pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue principal and premium, if any, from time to time on demand at a rate that is 1% per annum in excess of the rate then in effect; they will pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue installments of interest (without regard to any applicable grace periods) from time to time on demand at the same rate to the extent lawful. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

(2) METHOD OF PAYMENT. The Issuers will pay interest on the Notes to the Persons who are registered Holders of Notes at the close of business on the April 15 or October 15 next preceding the Interest Payment Date, even if such Notes are canceled after such record date and on or before such Interest Payment Date, except as provided in Section 2.12 of the Indenture with respect to defaulted interest. The Notes will be payable as to principal, premium, if any, and interest 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 at their addresses set forth in the register of Holders; provided that payment by wire transfer of immediately available funds will be required with respect to principal of and interest, premium on, all Global Notes the Holders of which will have provided wire transfer instructions to the Issuers or the Paying Agent. Such payment will be in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

(3) PAYING AGENT AND REGISTRAR. Initially, U.S. Bank National Association, the Trustee under the Indenture, will act as Paying Agent and Registrar. The Issuers may change any Paying Agent or Registrar without notice to any Holder. The Issuers or any of their Subsidiaries may act in any such capacity.

(4) INDENTURE. The Issuers issued the Notes under an Indenture dated as of April 20, 2004 (the "Indenture") among the Issuers and the Trustee. The terms of the Notes include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939, as amended (15 U.S. Code ss.ss. 77aaa-77bbbb). The Notes are subject to all such terms, and Holders are referred to the Indenture and such Act for a statement of such terms. To the extent any provision of this Note conflicts with the express provisions of the Indenture, the provisions of the Indenture shall govern and be controlling. Except to the extent provided in the Escrow and Security Agreement dated as of the date of the Indenture (the "Escrow and Security Agreement"), among Escrow LLC, Escrow Finance Corp., the Trustee and LaSalle Bank National Association, as escrow agent, the Notes are unsecured obligations of the Issuers.

(5) Optional Redemption.

(a) Except as set forth in subparagraph (b) of this Paragraph 5, the Issuers will not have the option to redeem the Notes prior to May 1, 2009. Thereafter, the Issuers will have the option to redeem the 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 principal amount) set forth below plus accrued and unpaid interest thereon to the applicable redemption date, if redeemed during the twelve months beginning on May 1 of the years indicated below:

Year	Percentage
2009	103.375%
2010	102.250%
2011	101.125%
2012 and thereafter	100.000%

(b) Notwithstanding the provisions of subparagraph (a) of this Paragraph 5, at any time on or prior to May 1, 2007, the Issuers may redeem Notes with the net proceeds of one or more Equity Offerings at a redemption price equal to 106.750% of the aggregate principal amount thereof, plus accrued and unpaid interest to the applicable redemption date; provided that at least 65% in aggregate principal amount of the Notes already issued, together with the Notes and any Additional Notes sold under the Indenture, remain outstanding immediately after the occurrence of such redemption and that such redemption occurs within 90 days of the date of the closing of such Equity Offering.

(6) Mandatory Redemption.

Except as described below, the Issuers will not be required to make mandatory redemption payments with respect to the Notes.

If (i) the conditions contained in Section I.4(b) of the Escrow and Security Agreement have not been satisfied by August 5, 2004 or (ii) the Contribution Agreement is terminated prior to August 5, 2004, the Issuers will cause a notice of special mandatory redemption to be mailed not later than the next Business Day following August 5, 2004 or following the date the Contribution Agreement is terminated, as applicable, and will redeem the Notes not later than five Business Days following the date of the notice of the special mandatory redemption, at a redemption price equal to 100% of the principal amount of Notes, plus accrued and unpaid interest, to, but not including the redemption date. Immediately upon receipt by the Paying Agent of the Escrow Property (as defined in the Escrow and Security Agreement), the Trustee will notify the Holders of the date fixed for special mandatory redemption.

(7) Repurchase at Option of Holder.

(a) If there is a Change of Control, the Issuers will be required to make an offer (a "Change of Control Offer") to repurchase, in cash, all or any part (equal to $1,000 or an integral multiple thereof) of each Holder's Notes at a purchase price equal to 101% of the aggregate principal amount thereof plus accrued and unpaid interest thereon, if any, to the date of purchase (the "Change of Control Payment"). Within 30 days following any Change of Control, the Issuers will mail a notice to each Holder setting forth the procedures governing the Change of Control Offer as required by the Indenture.

(b) If the Partnership or any of its Restricted Subsidiary consummates any Asset Sales, within 15 days of each date on which the aggregate amount of Excess Proceeds exceeds $10 million, the Issuers will commence an offer to all Holders of Notes and all holders of other Indebtedness that are pari passu with the Notes containing provisions similar to those set forth in this Indenture with respect to offers to purchase or redeem with the proceeds of sales of assets (an "Asset Sale Offer") pursuant to Section 3.10 of the Indenture to purchase the maximum principal amount of Notes and other pari passu Indebtedness 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 and unpaid interest thereon, if any, to the date fixed for the closing of such offer, in accordance with the procedures set forth in the Indenture. To the extent that the aggregate amount of Notes and other pari passu Indebtedness tendered pursuant to an Asset Sale Offer is less than the Excess Proceeds, the Partnership or any Restricted Subsidiary may use such deficiency for general business purposes. If the aggregate principal amount of Notes and other pari passu Indebtedness surrendered by holders thereof exceeds the amount of Excess Proceeds, the Trustee shall select the Notes and other pari passu Indebtedness to be purchased on a pro rata basis. Holders of Notes that are the subject of an offer to purchase will receive an Asset Sale Offer from the Issuers prior to any related purchase date and may elect to have such Notes purchased by completing the form entitled "Option of Holder to Elect Purchase" on the reverse of the Notes.

(8) NOTICE OF REDEMPTION. Notice of redemption will be mailed at least 10 days but not more than 60 days before the redemption date to each Holder whose Notes are to be redeemed at its registered address. Notes in denominations larger than $1,000 may be redeemed in part but only in whole multiples of $1,000, unless all of the Notes held by a Holder are to be redeemed. On and after the redemption date interest ceases to accrue on Notes or portions thereof called for redemption.

(9) DENOMINATIONS, TRANSFER, EXCHANGE. The Notes are in registered form without coupons in denominations of $1,000 and integral multiples of $1,000. The transfer of Notes may be registered and 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 the Issuers may require a Holder to pay any taxes and fees required by law or permitted by the Indenture. The Issuers need not exchange or register the transfer of any Note or portion of a Note selected for redemption, except for the unredeemed portion of any Note being redeemed in part. Also, the Issuers need not exchange or register the transfer of any Notes for a period of 15 days before a selection of Notes to be redeemed or during the period between a record date and the corresponding Interest Payment Date.

(10) PERSONS DEEMED OWNERS. The registered Holder of a Note may be treated as its owner for all purposes.

(11) AMENDMENT, SUPPLEMENT AND WAIVER. Subject to certain exceptions, the Indenture or the Notes may be amended or supplemented with the consent of the Holders of at least a majority in principal amount of the then outstanding Notes (including, consents obtained in connection with a tender offer or exchange offer for Notes), and any existing default or compliance with any provision of the Indenture or the Notes may be waived with the consent of the Holders of a majority in aggregate principal amount of the then outstanding Notes (including, consents obtained in connection with a tender offer or exchange offer for Notes). Without the consent of any Holder of a Note, the Indenture or the Notes may be amended or supplemented to cure any ambiguity, defect or inconsistency, to provide for uncertificated Notes in addition to or in place of certificated Notes, to provide for the assumption of the Issuers' obligations to Holders of the Notes in case of a merger or consolidation, to make any change that could provide any additional rights or benefits to the Holders of the Notes that does not adversely affect the legal rights under the Indenture of any such Holder, to comply with the requirements of the SEC in order to effect or maintain the qualification of the Indenture under the Trust Indenture Act, or to provide for security for or add guarantees with respect to the Notes.

(12) DEFAULTS AND REMEDIES. Events of Default include: Each of the following is an "Event of Default": (i) default in the payment of the principal of or premium, if any, on any Note when the same becomes due and payable, upon stated maturity, acceleration, optional redemption, required purchase, scheduled principal payment or otherwise; (ii) default in the payment of an installment of interest on any of the Notes, when the same becomes due and payable, which default continues for a period of 30 days; (iii) failure of the Issuers to perform or observe any other term, covenant or agreement contained in the Notes or the Indenture, other than a default specified in either (i) or (ii) above, and the default continues for a period of 45 days after written notice of the default requiring the Issuers to remedy the same has been given to the Partnership by the Trustee or to the Issuers and the Trustee by Holders of at least 25% in aggregate principal amount of the Notes then outstanding; (iv) failure of the Issuers to perform or observe any material term, covenant or agreement contained in the Escrow and Security Agreement; (v) default or defaults under certain other agreements, instruments, mortgages, bonds, debentures or other evidences of Indebtedness under which the Partnership or any Restricted Subsidiary of the Partnership has outstanding Indebtedness in excess of $10 million if the default (x) is caused by a failure to pay principal of or premium, if any, or interest on to such Indebtedness within the applicable grace period, if any, provided with respect to such Indebtedness or (y) results in the acceleration of such Indebtedness prior to its stated maturity; (vi) the Escrow and Security Agreement or any other security document or any Lien purported to be granted thereby on the Escrow Account or the case or escrow investments therein is held in any judicial proceeding to be unenforceable or invalid, in whole or in part, or ceases for any reason (other than pursuant to a release that is delivered or becomes effective as set forth in the Escrow and Security Agreement or Indenture) to be fully enforceable and perfected; (vii) certain final judgment or judgments, which is or are non-appealable and non-reviewable or which has or have not been stayed pending appeal or review or as to which all rights to appeal or review have expired or been exhausted, shall have been rendered against the Partnership, any Restricted Subsidiary or the General Partner provided such judgment or judgments requires or require the payment of money in excess of $10 million in the aggregate and is not covered by insurance or discharged or stayed pending appeal or review within 60 days after entry of such judgment or in the event of a stay, within 30 days after the stay expires; or (viii) specified events of bankruptcy, insolvency, or reorganization with respect to the Issuers or any of their Significant Subsidiaries as more fully set forth in the Indenture. If any Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in principal amount of the applicable series of Notes then outstanding Notes may declare all the Notes of that series to be due and payable. Notwithstanding the foregoing, in the case of an Event of Default arising from certain events of bankruptcy or insolvency, with respect to the Partnership, Finance Corp. or any Significant Subsidiary, all outstanding Notes will become due and payable without further action or notice. Holders may not enforce the Indenture or the Notes except as provided in the Indenture. Subject to certain limitations, Holders of a majority in principal amount of a series of then outstanding Notes may direct the Trustee of that series of Notes in its exercise of any trust or power. The Trustee may withhold from Holders of the Notes notice of any continuing Default or Event of Default (except a Default or Event of Default relating to the payment of principal or interest) if it determines in good faith that withholding notice is in their interest. The Holders of a majority in aggregate principal amount of a series of Notes then outstanding by notice to the Trustee for those Notes may on behalf of all Holders of Notes of that series 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 interest on, or the principal of, the 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, in its individual or any other capacity, may make loans to, accept deposits from, and perform services for the Issuers or their Affiliates, and may otherwise deal with the Issuers or their Affiliates, as if it were not the Trustee.

(14) NO RECOURSE AGAINST OTHERS. A limited partner of the Partnership or director, officer, employee, incorporator or stockholder of the General Partner, Finance Corp., Escrow LLC or Escrow Finance Corp., as such, will not have any liability for any obligations of the Issuers under the Notes or the Indenture or for any claim based on, in respect of, or by reason of, such obligations. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes.

(15) AUTHENTICATION. This Note will 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 RESTRICTED GLOBAL NOTES AND RESTRICTED DEFINITIVE NOTES. In addition to the rights provided to Holders of Notes under the Indenture, Holders of Restricted Global Notes and Restricted Definitive Notes will have all the rights set forth in the Registration Rights Agreement dated as of April 20, 2004, among the Issuers, and on and after the Merger Date (as defined therein), Ferrellgas, L.P. and Ferrellgas Finance Corp. and the other parties named on the signature pages thereof or, in the case of Additional Notes, Holders of Restricted Global Notes and Restricted Definitive Notes will have the rights set forth in one or more registration rights agreements, if any, among the Issuers, and on and after the Merger Date (as defined therein), Ferrellgas, L.P. and Ferrellgas Finance Corp. and the other parties thereto, relating to rights given by the Issuers to the purchasers of any Additional Notes (collectively, the "Registration Rights Agreement").

(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 Notes and the Trustee may 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 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 WILL GOVERN AND BE USED TO CONSTRUE THE INDENTURE AND THIS NOTE WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

The Issuers will furnish to any Holder upon written request and without charge a copy of the Indenture. Requests may be made to:

Ferrellgas, L.P.
One Liberty Plaza
Liberty, Missouri 64068
Attention: Investor Relations
(816) 792-0203

ASSIGNMENT FORM

To assign this Note, fill in the form below:

(I) or (we) assign and transfer this Note to:_____
(Insert assignee's legal name)

_____
(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 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 Note)

Signature Guarantee*: _____

* Participant in a recognized Signature Guarantee Medallion Program (or other signature guarantor acceptable to the Trustee).

OPTION OF HOLDER TO ELECT PURCHASE

If you want to elect to have this Note purchased by the Issuers pursuant to Section 4.10 or 4.14 of the Indenture, check the appropriate box below:

---Section 4.10 ----Section 4.14

If you want to elect to have only part of the 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 face of this Note)

Tax Identification No.:_____

Signature Guarantee*: _____

* Participant in a recognized Signature Guarantee Medallion Program (or other signature guarantor acceptable to the Trustee).

SCHEDULE OF EXCHANGES OF INTERESTS IN THE GLOBAL NOTE*

The following exchanges of a part of this Global Note for an interest in another Global Note or for a Definitive Note, or exchanges of a part of another Global Note or Definitive Note for an interest in this Global Note, 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 decrease (or increase)	Signature of authorized officer of Trustee or Custodian

* This schedule should be included only if the Note is issued in global form.

EXHIBIT A2

[Face of Regulation S Temporary Global Note]

- ---

CUSIP/CINS
---

6 3/4% Senior Notes due 2014

No. ___ $_____

FERRELLGAS ESCROW LLC
FERRELLGAS FINANCE ESCROW CORPORATION

promises to pay to CEDE & CO..

or registered assigns,

the principal sum of _____DOLLARS on May 1, 2014.

Interest Payment Dates: May 1 and November 1

Record Dates: April 15 and October 15

Dated:

FERRELLGAS ESCROW LLC

By: Ferrellgas, L.P., its sole member

By: Ferrellgas, Inc.,
its General Partner

By:

Name: Kevin T. Kelly
Title: Senior Vice President and Chief Financial Officer

FERRELLGAS FINANCE ESCROW CORPORATION

By:

Name: Kevin T. Kelly
Title: Senior Vice President and Chief Financial Officer

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

U.S. BANK NATIONAL ASSOCIATION
as Trustee

By:

Authorized Signatory

- ---

[Back of Regulation S Temporary Global Note]
6 3/4% Senior Notes due 2014

THE RIGHTS ATTACHING TO THIS REGULATION S TEMPORARY GLOBAL NOTE, AND THE CONDITIONS AND PROCEDURES GOVERNING ITS EXCHANGE FOR CERTIFICATED NOTES, ARE AS SPECIFIED IN THE INDENTURE (AS DEFINED HEREIN). NEITHER THE HOLDER NOR THE BENEFICIAL OWNERS OF THIS REGULATION S TEMPORARY GLOBAL NOTE SHALL BE ENTITLED TO RECEIVE PAYMENT OF INTEREST HEREON.

THIS GLOBAL NOTE IS HELD BY THE DEPOSITARY (AS DEFINED IN THE INDENTURE GOVERNING THIS NOTE) OR ITS NOMINEE IN CUSTODY FOR THE BENEFIT OF THE BENEFICIAL OWNERS HEREOF, AND IS NOT TRANSFERABLE TO ANY PERSON UNDER ANY CIRCUMSTANCES EXCEPT THAT (1) THE TRUSTEE MAY MAKE SUCH NOTATIONS HEREON AS MAY BE REQUIRED PURSUANT TO SECTION 2.06 OF THE INDENTURE, (2) THIS GLOBAL NOTE MAY BE EXCHANGED IN WHOLE BUT NOT IN PART PURSUANT TO SECTION 2.06(a) OF THE INDENTURE, (3) THIS GLOBAL NOTE MAY BE DELIVERED TO THE TRUSTEE FOR CANCELLATION PURSUANT TO SECTION 2.11 OF THE INDENTURE AND (4) THIS GLOBAL NOTE MAY BE TRANSFERRED TO A SUCCESSOR DEPOSITARY WITH THE PRIOR WRITTEN CONSENT OF THE ISSUERS.

UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR NOTES IN DEFINITIVE FORM, THIS NOTE MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE 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. UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (55 WATER STREET, NEW YORK, NEW YORK) ("DTC"), TO THE ISSUERS OR THEIR 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.

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

THE HOLDER OF THIS NOTE AGREES FOR THE BENEFIT OF FERRELLGAS ESCROW LLC, FERRELLGAS FINANCE ESCROW CORPORATION, FERRELLGAS, L.P. AND FERRELLGAS FINANCE CORP. THAT (A) THIS NOTE MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (I) IN THE UNITED STATES TO A PERSON WHOM 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, (II) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 904 UNDER THE SECURITIES ACT, (III) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE) OR (IV) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH OF CASES (I) THROUGH (IV) IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES, AND (B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS NOTE FROM IT OF THE RESALE RESTRICTIONS REFERRED TO IN (A) ABOVE

Capitalized terms used herein have the meanings assigned to them in the Indenture referred to below unless otherwise indicated.

(1) INTEREST. Ferrellgas Escrow LLC, a Delaware limited liability company ("Escrow LLC"), and Ferrellgas Finance Escrow Corporation, a Delaware corporation ("Escrow Finance Corp." and together with Escrow LLC, the "Issuers"), promise to pay interest on the principal amount of this Note at 6 3/4% per annum from April 20, 2004 until maturity. The Issuers will pay interest semi-annually in arrears on May 1 and November 1 of each year, or if any such day is not a Business Day, on the next succeeding Business Day (each, an "Interest Payment Date"). Interest on the Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from the date of issuance; provided that if there is no existing Default in the payment of interest, and if this Note is authenticated between a record date referred to on the face hereof and the next succeeding Interest Payment Date, interest shall accrue from such next succeeding Interest Payment Date; provided, further, that the first Interest Payment Date shall be November 1, 2004. The Issuers will pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue principal and premium, if any, from time to time on demand at a rate that is 1% per annum in excess of the rate then in effect; they will pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue installments of interest (without regard to any applicable grace periods) from time to time on demand at the same rate to the extent lawful. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

Until this Regulation S Temporary Global Note is exchanged for one or more Regulation S Permanent Global Notes, the Holder hereof shall not be entitled to receive payments of interest hereon; until so exchanged in full, this Regulation S Temporary Global Note shall in all other respects be entitled to the same benefits as other Notes under the Indenture.

(2) METHOD OF PAYMENT. The Issuers will pay interest on the Notes to the Persons who are registered Holders of Notes at the close of business on the April 15 or October 15 next preceding the Interest Payment Date, even if such Notes are canceled after such record date and on or before such Interest Payment Date, except as provided in Section 2.12 of the Indenture with respect to defaulted interest. The Notes will be payable as to principal, premium, if any, and interest 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 at their addresses set forth in the register of Holders; provided that payment by wire transfer of immediately available funds will be required with respect to principal of and interest, premium on, all Global Notes the Holders of which will have provided wire transfer instructions to the Issuers or the Paying Agent. Such payment will be in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

(3) PAYING AGENT AND REGISTRAR. Initially, U.S. Bank National Association, the Trustee under the Indenture, will act as Paying Agent and Registrar. The Issuers may change any Paying Agent or Registrar without notice to any Holder. The Issuers or any of their Subsidiaries may act in any such capacity.

(4) INDENTURE. The Issuers issued the Notes under an Indenture dated as of April 20, 2004 (the "Indenture") among the Issuers and the Trustee. The terms of the Notes include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939, as amended (15 U.S. Code ss.ss. 77aaa-77bbbb). The Notes are subject to all such terms, and Holders are referred to the Indenture and such Act for a statement of such terms. To the extent any provision of this Note conflicts with the express provisions of the Indenture, the provisions of the Indenture shall govern and be controlling. Except to the extent provided in the Escrow and Security Agreement dated as of the date of the Indenture (the "Escrow and Security Agreement"), among Escrow LLC, Escrow Finance Corp., the Trustee and LaSalle Bank National Association, as escrow agent, the Notes are unsecured obligations of the Issuers.

(5) Optional Redemption.

(a) Except as set forth in subparagraph (b) of this Paragraph 5, the Issuers will not have the option to redeem the Notes prior to May 1, 2009. Thereafter, the Issuers will have the option to redeem the 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 principal amount) set forth below plus accrued and unpaid interest thereon to the applicable redemption date, if redeemed during the twelve months beginning on May 1 of the years indicated below:

Year	Percentage
2009	103.375%
2010	102.250%
2011	101.125%
2012 and thereafter	100.000%

(b) Notwithstanding the provisions of subparagraph (a) of this Paragraph 5, at any time on or prior to May 1, 2007, the Issuers may redeem Notes with the net proceeds of one or more Equity Offerings at a redemption price equal to 106.750% of the aggregate principal amount thereof, plus accrued and unpaid interest to the applicable redemption date; provided that at least 65% in aggregate principal amount of the Notes already issued, together with the Notes and any Additional Notes sold under the Indenture, remain outstanding immediately after the occurrence of such redemption and that such redemption occurs within 90 days of the date of the closing of such Equity Offering.

(6) Mandatory Redemption.

Except as described below, the Issuers will not be required to make mandatory redemption payments with respect to the Notes.

If (i) the conditions contained in Section I.4(b) of the Escrow and Security Agreement have not been satisfied by August 5, 2004 or (ii) the Contribution Agreement is terminated prior to August 5, 2004, the Issuers will cause a notice of special mandatory redemption to be mailed not later than the next Business Day following August 5, 2004 or following the date the Contribution Agreement is terminated, as applicable, and will redeem the Notes not later than five Business Days following the date of the notice of the special mandatory redemption, at a redemption price equal to 100% of the principal amount of Notes, plus accrued and unpaid interest, to, but not including the redemption date. Immediately upon receipt by the Paying Agent of the Escrow Property (as defined in the Escrow and Security Agreement), the Trustee will notify the Holders of the date fixed for special mandatory redemption.

(7) Repurchase at Option of Holder.

(a) If there is a Change of Control, the Issuers will be required to make an offer (a "Change of Control Offer") to repurchase, in cash, all or any part (equal to $1,000 or an integral multiple thereof) of each Holder's Notes at a purchase price equal to 101% of the aggregate principal amount thereof plus accrued and unpaid interest thereon, if any, to the date of purchase (the "Change of Control Payment"). Within 30 days following any Change of Control, the Issuers will mail a notice to each Holder setting forth the procedures governing the Change of Control Offer as required by the Indenture.

(b) If the Partnership or any of its Restricted Subsidiary consummates any Asset Sales, within 15 days of each date on which the aggregate amount of Excess Proceeds exceeds $10 million, the Issuers will commence an offer to all Holders of Notes and all holders of other Indebtedness that are pari passu with the Notes containing provisions similar to those set forth in this Indenture with respect to offers to purchase or redeem with the proceeds of sales of assets (an "Asset Sale Offer") pursuant to Section 3.10 of the Indenture to purchase the maximum principal amount of Notes and other pari passu Indebtedness 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 and unpaid interest thereon, if any, to the date fixed for the closing of such offer, in accordance with the procedures set forth in the Indenture. To the extent that the aggregate amount of Notes and other pari passu Indebtedness tendered pursuant to an Asset Sale Offer is less than the Excess Proceeds, the Partnership or any Restricted Subsidiary may use such deficiency for general business purposes. If the aggregate principal amount of Notes and other pari passu Indebtedness surrendered by holders thereof exceeds the amount of Excess Proceeds, the Trustee shall select the Notes and other pari passu Indebtedness to be purchased on a pro rata basis. Holders of Notes that are the subject of an offer to purchase will receive an Asset Sale Offer from the Issuers prior to any related purchase date and may elect to have such Notes purchased by completing the form entitled "Option of Holder to Elect Purchase" on the reverse of the Notes.

(8) NOTICE OF REDEMPTION. Notice of redemption will be mailed at least 10 days but not more than 60 days before the redemption date to each Holder whose Notes are to be redeemed at its registered address. Notes in denominations larger than $1,000 may be redeemed in part but only in whole multiples of $1,000, unless all of the Notes held by a Holder are to be redeemed. On and after the redemption date interest ceases to accrue on Notes or portions thereof called for redemption.

(9) DENOMINATIONS, TRANSFER, EXCHANGE. The Notes are in registered form without coupons in denominations of $1,000 and integral multiples of $1,000. The transfer of Notes may be registered and 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 the Issuers may require a Holder to pay any taxes and fees required by law or permitted by the Indenture. The Issuers need not exchange or register the transfer of any Note or portion of a Note selected for redemption, except for the unredeemed portion of any Note being redeemed in part. Also, the Issuers need not exchange or register the transfer of any Notes for a period of 15 days before a selection of Notes to be redeemed or during the period between a record date and the corresponding Interest Payment Date.

(10) PERSONS DEEMED OWNERS. The registered Holder of a Note may be treated as its owner for all purposes.

(11) AMENDMENT, SUPPLEMENT AND WAIVER. Subject to certain exceptions, the Indenture or the Notes may be amended or supplemented with the consent of the Holders of at least a majority in principal amount of the then outstanding Notes (including, consents obtained in connection with a tender offer or exchange offer for Notes), and any existing default or compliance with any provision of the Indenture or the Notes may be waived with the consent of the Holders of a majority in aggregate principal amount of the then outstanding Notes (including, consents obtained in connection with a tender offer or exchange offer for Notes). Without the consent of any Holder of a Note, the Indenture or the Notes may be amended or supplemented to cure any ambiguity, defect or inconsistency, to provide for uncertificated Notes in addition to or in place of certificated Notes, to provide for the assumption of the Issuers' obligations to Holders of the Notes in case of a merger or consolidation, to make any change that could provide any additional rights or benefits to the Holders of the Notes that does not adversely affect the legal rights under the Indenture of any such Holder, to comply with the requirements of the SEC in order to effect or maintain the qualification of the Indenture under the Trust Indenture Act, or to provide for security for or add guarantees with respect to the Notes.

(12) DEFAULTS AND REMEDIES. Events of Default include: Each of the following is an "Event of Default": (i) default in the payment of the principal of or premium, if any, on any Note when the same becomes due and payable, upon stated maturity, acceleration, optional redemption, required purchase, scheduled principal payment or otherwise; (ii) default in the payment of an installment of interest on any of the Notes, when the same becomes due and payable, which default continues for a period of 30 days; (iii) failure of the Issuers to perform or observe any other term, covenant or agreement contained in the Notes or the Indenture, other than a default specified in either (i) or (ii) above, and the default continues for a period of 45 days after written notice of the default requiring the Issuers to remedy the same has been given to the Partnership by the Trustee or to the Issuers and the Trustee by Holders of at least 25% in aggregate principal amount of the Notes then outstanding; (iv) failure of the Issuers to perform or observe any material term, covenant or agreement contained in the Escrow and Security Agreement; (v) default or defaults under certain other agreements, instruments, mortgages, bonds, debentures or other evidences of Indebtedness under which the Partnership or any Restricted Subsidiary of the Partnership has outstanding Indebtedness in excess of $10 million if the default (x) is caused by a failure to pay principal of or premium, if any, or interest on to such Indebtedness within the applicable grace period, if any, provided with respect to such Indebtedness or (y) results in the acceleration of such Indebtedness prior to its stated maturity; (vi) the Escrow and Security Agreement or any other security document or any Lien purported to be granted thereby on the Escrow Account or the case or escrow investments therein is held in any judicial proceeding to be unenforceable or invalid, in whole or in part, or ceases for any reason (other than pursuant to a release that is delivered or becomes effective as set forth in the Escrow and Security Agreement or Indenture) to be fully enforceable and perfected; (vii) certain final judgment or judgments, which is or are non-appealable and non-reviewable or which has or have not been stayed pending appeal or review or as to which all rights to appeal or review have expired or been exhausted, shall have been rendered against the Partnership, any Restricted Subsidiary or the General Partner provided such judgment or judgments requires or require the payment of money in excess of $10 million in the aggregate and is not covered by insurance or discharged or stayed pending appeal or review within 60 days after entry of

such judgment or in the event of a stay, within 30 days after the stay expires; or (viii) specified events of bankruptcy, insolvency, or reorganization with respect to the Issuers or any of their Significant Subsidiaries as more fully set forth in the Indenture. If any Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in principal amount of the applicable series of Notes then outstanding Notes may declare all the Notes of that series to be due and payable. Notwithstanding the foregoing, in the case of an Event of Default arising from certain events of bankruptcy or insolvency, with respect to the Partnership, Finance Corp. or any Significant Subsidiary, all outstanding Notes will become due and payable without further action or notice. Holders may not enforce the Indenture or the Notes except as provided in the Indenture. Subject to certain limitations, Holders of a majority in principal amount of a series of then outstanding Notes may direct the Trustee of that series of Notes in its exercise of any trust or power. The Trustee may withhold from Holders of the Notes notice of any continuing Default or Event of Default (except a Default or Event of Default relating to the payment of principal or interest) if it determines in good faith that withholding notice is in their interest. The Holders of a majority in aggregate principal amount of a series of Notes then outstanding by notice to the Trustee for those Notes may on behalf of all Holders of Notes of that series 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 interest on, or the principal of, the 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, in its individual or any other capacity, may make loans to, accept deposits from, and perform services for the Issuers or their Affiliates, and may otherwise deal with the Issuers or their Affiliates, as if it were not the Trustee.

(14) NO RECOURSE AGAINST OTHERS. A limited partner of the Partnership or director, officer, employee, incorporator or stockholder of the General Partner, Finance Corp., Escrow LLC or Escrow Finance Corp., as such, will not have any liability for any obligations of the Issuers under the Notes or the Indenture or for any claim based on, in respect of, or by reason of, such obligations. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes.

(15) AUTHENTICATION. This Note will 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 RESTRICTED GLOBAL NOTES AND RESTRICTED DEFINITIVE NOTES. In addition to the rights provided to Holders of Notes under the Indenture, Holders of Restricted Global Notes and Restricted Definitive Notes will have all the rights set forth in the Registration Rights Agreement dated as of April 20, 2004, among the Issuers, and on and after the Merger Date (as defined therein), Ferrellgas, L.P. and Ferrellgas Finance Corp. and the other parties named on the signature pages thereof or, in the case of Additional Notes, Holders of Restricted Global Notes and Restricted Definitive Notes will have the rights set forth in one or more registration rights agreements, if any, among the Issuers, and on and after the Merger Date (as defined therein), Ferrellgas, L.P. and Ferrellgas Finance Corp. and the other parties thereto, relating to rights given by the Issuers to the purchasers of any Additional Notes (collectively, the "Registration Rights Agreement").

(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 Notes and the Trustee may 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 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 WILL GOVERN AND BE USED TO CONSTRUE THE INDENTURE AND THIS NOTE WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

The Issuers will furnish to any Holder upon written request and without charge a copy of the Indenture. Requests may be made to:

Ferrellgas, L.P.
One Liberty Plaza
Liberty, Missouri 64068
Attention: Investor Relations
(816) 792-0203

ASSIGNMENT FORM

To assign this Note, fill in the form below:

(I) or (we) assign and transfer this Note to:_____
(Insert assignee's legal name)

_____
(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 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 Note)

Signature Guarantee*: _____

* Participant in a recognized Signature Guarantee Medallion Program (or other signature guarantor acceptable to the Trustee).

OPTION OF HOLDER TO ELECT PURCHASE

If you want to elect to have this Note purchased by the Issuers pursuant to Section 4.10 or 4.14 of the Indenture, check the appropriate box below:

----Section 4.10 ---Section 4.14

If you want to elect to have only part of the 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 face of this Note)

Tax Identification No.:_____

Signature Guarantee*: _____

* Participant in a recognized Signature Guarantee Medallion Program (or other signature guarantor acceptable to the Trustee).

SCHEDULE OF EXCHANGES OF INTERESTS IN THE REGULATION S TEMPORARY GLOBAL NOTE

The following exchanges of a part of this Regulation S Temporary Global Note for an interest in another Global Note, or exchanges of a part of another other Restricted Global Note for an interest in this Regulation S Temporary Global Note, 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 decrease (or increase)	Signature of authorized officer of Trustee or Custodian

EXHIBIT B

FORM OF CERTIFICATE OF TRANSFER

Ferrellgas, L.P.
One Liberty Plaza
Liberty, Missouri 64068
Attention: Investor Relations

U.S. Bank National Association
Corporate Trust Services
60 Livingston Avenue St.
Paul, MN 55107-2292

Re: 6 3/4% Senior Notes due 2014

Reference is hereby made to the Indenture, dated as of April 20, 2004 (the "Indenture"), among Ferrellgas Escrow LLC and Ferrellgas Escrow Finance Corporation (together, the "Issuers"), as Issuers, and on and after the Merger Date (as defined therein), Ferrellgas, L.P. and Ferrellgas Finance Corp. and U.S. Bank National Association, as trustee. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

_____, (the "Transferor") owns and proposes to transfer the Note[s] or interest in such Note[s] specified in Annex A hereto, in the principal amount of $_____ in such Note[s] or interests (the "Transfer"), to _____ (the "Transferee"), as further specified in Annex A hereto. In connection with the Transfer, the Transferor hereby certifies that:

[CHECK ALL THAT APPLY]

1. ____ Check if Transferee will take delivery of a beneficial interest in the 144A Global Note or a Restricted Definitive Note pursuant to Rule 144A. The Transfer is being effected pursuant to and in accordance with Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"), and, accordingly, the Transferor hereby further certifies that the beneficial interest or Definitive Note is being transferred to a Person that the Transferor reasonably believes is purchasing the beneficial interest or Definitive Note for its own account, or for one or more accounts with respect to which such Person exercises sole investment discretion, and such Person and each such account is a "qualified institutional buyer" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A, and such Transfer is in compliance with any applicable blue sky securities laws of any state of the United States. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Note will be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the 144A Global Note and/or the Restricted Definitive Note and in the Indenture and the Securities Act.

2. ____ Check if Transferee will take delivery of a beneficial interest in the Regulation S Temporary Global Note, the Regulation S Permanent Global Note or a Restricted Definitive Note pursuant to Regulation S. The Transfer is being effected pursuant to and in accordance with Rule 903 or Rule 904 under the Securities Act and, accordingly, the Transferor hereby further certifies that (i) the Transfer is not being made to a Person in the United States and (x) at the time the buy order was originated, the Transferee was outside the United States or such Transferor and any Person acting on its behalf reasonably believed and believes that the Transferee was outside the United States or (y) the transaction was executed in, on or through the facilities of a designated offshore securities market and neither such Transferor nor any Person acting on its behalf knows that the transaction was prearranged with a buyer in the United

States, (ii) no directed selling efforts have been made in contravention of the requirements of Rule 903(b) or Rule 904(b) of Regulation S under the Securities Act, (iii) the transaction is not part of a plan or scheme to evade the registration requirements of the Securities Act and (iv) if the proposed transfer is being made prior to the expiration of the Restricted Period, the transfer is not being made to a U.S. Person or for the account or benefit of a U.S. Person (other than an Initial Purchaser). Upon consummation of the proposed transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Note will be subject to the restrictions on Transfer enumerated in the Private Placement Legend printed on the Regulation S Permanent Global Note, the Regulation S Temporary Global Note and/or the Restricted Definitive Note and in the Indenture and the Securities Act.

3. ____ Check and complete if Transferee will take delivery of a beneficial interest in the IAI Global Note or a Restricted Definitive Note pursuant to any provision of the Securities Act other than Rule 144A or Regulation S. The Transfer is being effected in compliance with the transfer restrictions applicable to beneficial interests in Restricted Global Notes and Restricted Definitive Notes and pursuant to and in accordance with the Securities Act and any applicable blue sky securities laws of any state of the United States, and accordingly the Transferor hereby further certifies that (check one):

(a) ____ such Transfer is being effected pursuant to and in accordance with Rule 144 under the Securities Act;

or

(b) ____ such Transfer is being effected to the Issuers or a subsidiary thereof;

or

(c) ____ such Transfer is being effected pursuant to an effective registration statement under the Securities Act and in compliance with the prospectus delivery requirements of the Securities Act;

or

(d) ____ such Transfer is being effected to an Institutional Accredited Investor and pursuant to an exemption from the registration requirements of the Securities Act other than Rule 144A, Rule 144, Rule 903 or Rule 904, and the Transferor hereby further certifies that it has not engaged in any general solicitation within the meaning of Regulation D under the Securities Act and the Transfer complies with the transfer restrictions applicable to beneficial interests in a Restricted Global Note or Restricted Definitive Notes and the requirements of the exemption claimed, which certification is supported by (1) a certificate executed by the Transferee in the form of Exhibit D to the Indenture and (2) if such Transfer is in respect of a principal amount of Notes at the time of transfer of less than $250,000, an Opinion of Counsel provided by the Transferor or the Transferee (a copy of which the Transferor has attached to this certification), to the effect that such Transfer is in compliance with the Securities Act. Upon consummation of the proposed transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Note will be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the IAI Global Note and/or the Restricted Definitive Notes and in the Indenture and the Securities Act.

4. ____ Check if Transferee will take delivery of a beneficial interest in an Unrestricted Global Note or of an Unrestricted Definitive Note.

(a) ____ Check if Transfer is pursuant to Rule 144. (i) The Transfer is being effected pursuant to and in accordance with Rule 144 under the Securities Act and in compliance with the transfer restrictions contained in the Indenture and any applicable blue sky securities laws of any state of the United States and (ii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Note will no longer be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the Restricted Global Notes, on Restricted Definitive Notes and in the Indenture.

(b) ____ Check if Transfer is Pursuant to Regulation S. (i) The Transfer is being effected pursuant to and in accordance with Rule 903 or Rule 904 under the Securities Act and in compliance with the transfer restrictions contained in the Indenture and any applicable blue sky securities laws of any state of the United States and (ii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Note will no longer be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the Restricted Global Notes, on Restricted Definitive Notes and in the Indenture.

(c) ____ Check if Transfer is Pursuant to Other Exemption. (i) The Transfer is being effected pursuant to and in compliance with an exemption from the registration requirements of the Securities Act other than Rule 144, Rule 903 or Rule 904 and in compliance with the transfer restrictions contained in the Indenture and any applicable blue sky securities laws of any State of the United States and (ii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Note will not be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the Restricted Global Notes or Restricted Definitive Notes and in the Indenture.

This certificate and the statements contained herein are made for your benefit and the benefit of the Issuers.

[Insert Name of Transferor]

By:

Name:
Title:

Dated:

ANNEX A TO CERTIFICATE OF TRANSFER

1. The Transferor owns and proposes to transfer the following:

[CHECK ONE OF (a) OR (b)]

(a) ____ a beneficial interest in the:

(i) ____ 144A Global Note (CUSIP), or

(ii) ____ Regulation S Global Note (CUSIP), or

(iii) ____ IAI Global Note (CUSIP _____); or

(b) ____ a Restricted Definitive Note.

2. After the Transfer the Transferee will hold:

[CHECK ONE]

(a) ____ a beneficial interest in the:

(i) ____ 144A Global Note (CUSIP), or

(ii) ____ Regulation S Global Note (CUSIP), or

(iii) ____ IAI Global Note (CUSIP _____); or

(iv) ____ Unrestricted Global Note (CUSIP _____); or

(b) ____ a Restricted Definitive Note; or

(c) ____ an Unrestricted Definitive Note,

in accordance with the terms of the Indenture.

EXHIBIT C

FORM OF CERTIFICATE OF EXCHANGE

Ferrellgas, L.P.
One Liberty Plaza
Liberty, Missouri 64068
Attention: Investor Relations

U.S. Bank National Association
Corporate Trust Services
60 Livingston Avenue St.
Paul, MN 55107-2292

Re: 6 3/4% Senior Notes due 2014

Reference is hereby made to the Indenture, dated as of April 20, 2004 (the "Indenture"), among Ferrellgas Escrow LLC and Ferrellgas Escrow Finance Corporation (together, the "Issuers"), as Issuers, and on and after the Merger Date (as defined therein), Ferrellgas, L.P. and Ferrellgas Finance Corp. and U.S. Bank National Association, as trustee. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

_____, (the "Owner") owns and proposes to exchange the Note[s] or interest in such Note[s] specified herein, in the principal amount of $_____ in such Note[s] or interests (the "Exchange"). In connection with the Exchange, the Owner hereby certifies that:

1. Exchange of Restricted Definitive Notes or Beneficial Interests in a Restricted Global Note for Unrestricted Definitive Notes or Beneficial Interests in an Unrestricted Global Note

(a) ____ Check if Exchange is from beneficial interest in a Restricted Global Note to beneficial interest in an Unrestricted Global Note. In connection with the Exchange of the Owner's beneficial interest in a Restricted Global Note for a beneficial interest in an Unrestricted Global Note in an equal principal amount, the Owner hereby certifies (i) the beneficial interest is being acquired for the Owner's own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to the Global Notes and pursuant to and in accordance with the Securities Act of 1933, as amended (the "Securities Act"), (iii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act and (iv) the beneficial interest in an Unrestricted Global Note is being acquired in compliance with any applicable blue sky securities laws of any state of the United States.

(b) ____ Check if Exchange is from beneficial interest in a Restricted Global Note to Unrestricted Definitive Note. In connection with the Exchange of the Owner's beneficial interest in a Restricted Global Note for an Unrestricted Definitive Note, the Owner hereby certifies (i) the Definitive Note is being acquired for the Owner's own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to the Restricted Global Notes and pursuant to and in accordance with the Securities Act, (iii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act and (iv) the Definitive Note is being acquired in compliance with any applicable blue sky securities laws of any state of the United States.

(c) ____ Check if Exchange is from Restricted Definitive Note to beneficial interest in an Unrestricted Global Note. In connection with the Owner's Exchange of a Restricted Definitive Note for a beneficial interest in an Unrestricted Global Note, the Owner hereby certifies (i) the beneficial interest is being acquired for the Owner's own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to Restricted Definitive Notes and pursuant to and in accordance with the Securities Act, (iii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act and (iv) the beneficial interest is being acquired in compliance with any applicable blue sky securities laws of any state of the United States.

(d) ____ Check if Exchange is from Restricted Definitive Note to Unrestricted Definitive Note. In connection with the Owner's Exchange of a Restricted Definitive Note for an Unrestricted Definitive Note, the Owner hereby certifies (i) the Unrestricted Definitive Note is being acquired for the Owner's own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to Restricted Definitive Notes and pursuant to and in accordance with the Securities Act, (iii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act and (iv) the Unrestricted Definitive Note is being acquired in compliance with any applicable blue sky securities laws of any state of the United States.

2. Exchange of Restricted Definitive Notes or Beneficial Interests in Restricted Global Notes for Restricted Definitive Notes or Beneficial Interests in Restricted Global Notes

(a) ____ Check if Exchange is from beneficial interest in a Restricted Global Note to Restricted Definitive Note. In connection with the Exchange of the Owner's beneficial interest in a Restricted Global Note for a Restricted Definitive Note with an equal principal amount, the Owner hereby certifies that the Restricted Definitive Note is being acquired for the Owner's own account without transfer. Upon consummation of the proposed Exchange in accordance with the terms of the Indenture, the Restricted Definitive Note issued will continue to be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the Restricted Definitive Note and in the Indenture and the Securities Act.

(b) ____ Check if Exchange is from Restricted Definitive Note to beneficial interest in a Restricted Global Note. In connection with the Exchange of the Owner's Restricted Definitive Note for a beneficial interest in the [CHECK ONE] 144A Global Note, Regulation S Global Note, IAI Global Note with an equal principal amount, the Owner hereby certifies (i) the beneficial interest is being acquired for the Owner's own account without transfer and (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to the Restricted Global Notes and pursuant to and in accordance with the Securities Act, and in compliance with any applicable blue sky securities laws of any state of the United States. Upon consummation of the proposed Exchange in accordance with the terms of the Indenture, the beneficial interest issued will be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the relevant Restricted Global Note and in the Indenture and the Securities Act.

This certificate and the statements contained herein are made for your benefit and the benefit of the Issuers.

[Insert Name of Transferor]

By:

Name:
Title:

Dated:

EXHIBIT D

FORM OF CERTIFICATE FROM
ACQUIRING INSTITUTIONAL ACCREDITED INVESTOR

Ferrellgas, L.P.
One Liberty Plaza
Liberty, Missouri 64068
Attention: Investor Relations

U.S. Bank National Association
Corporate Trust Services
60 Livingston Avenue St.
Paul, MN 55107-2292

Re: 6 3/4% Senior Notes due 2014

Reference is hereby made to the Indenture, dated as of April 20, 2004 (the "Indenture"), among Ferrellgas Escrow LLC and Ferrellgas Escrow Finance Corporation (together, the "Issuers"), as Issuers, and on and after the Merger Date (as defined therein), Ferrellgas, L.P. and Ferrellgas Finance Corp. and U.S. Bank National Association, as trustee. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

In connection with our proposed purchase of $_____ aggregate principal amount of:

(a) ____ a beneficial interest in a Global Note, or

(b) ____ a Definitive Note,

we confirm that:

1. We understand that any subsequent transfer of the Notes or any interest therein is subject to certain restrictions and conditions set forth in the Indenture and the undersigned agrees to be bound by, and not to resell, pledge or otherwise transfer the Notes or any interest therein except in compliance with, such restrictions and conditions and the Securities Act of 1933, as amended (the "Securities Act").

2. We understand that the offer and sale of the Notes have not been registered under the Securities Act, and that the Notes and any interest therein may not be offered or sold except as permitted in the following sentence. We agree, on our own behalf and on behalf of any accounts for which we are acting as hereinafter stated, that if we should sell the Notes or any interest therein, we will do so only (A) to the Issuers or any subsidiary thereof, (B) in accordance with Rule 144A under the Securities Act to a "qualified institutional buyer" (as defined therein), (C) to an institutional "accredited investor" (as defined below) that, prior to such transfer, furnishes (or has furnished on its behalf by a U.S. broker-dealer) to you and to the Issuers a signed letter substantially in the form of this letter and, if such transfer is in respect of a principal amount of Notes, at the time of transfer of less than $250,000, an Opinion of Counsel in form reasonably acceptable to the Issuers to the effect that such transfer is in compliance with the Securities Act, (D) outside the United States in accordance with Rule 904 of Regulation S under the Securities Act, (E) pursuant to the provisions of Rule 144(k) under the Securities Act or (F) pursuant to an effective registration statement under the Securities Act, and we further agree to provide to any Person purchasing the Definitive Note or beneficial interest in a Global Note from us in a transaction meeting the requirements of clauses (A) through (E) of this paragraph a notice advising such purchaser that resales thereof are restricted as stated herein.

3. We understand that, on any proposed resale of the Notes or beneficial interest therein, we will be required to furnish to you and the Issuers such certifications, legal opinions and other information as you and the Issuers may reasonably require to confirm that the proposed sale complies with the foregoing restrictions. We further understand that the Notes purchased by us will bear a legend to the foregoing effect.

4. We are an institutional "accredited investor" (as defined in Rule 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act) and have such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of our investment in the Notes, and we and any accounts for which we are acting are each able to bear the economic risk of our or its investment.

5. We are acquiring the Notes or beneficial interest therein purchased by us for our own account or for one or more accounts (each of which is an institutional "accredited investor") as to each of which we exercise sole investment discretion.

You and the Issuers are entitled to rely upon this letter and are irrevocably authorized to produce this letter or a copy hereof to any interested party in any administrative or legal proceedings or official inquiry with respect to the matters covered hereby.

[Insert Name of Accredited Investor]

By:

Name:
Title:

Dated:

Exhibit 4.2

$250,000,000

FERRELLGAS ESCROW LLC
FERRELLGAS FINANCE ESCROW CORPORATION

6 3/4% SENIOR NOTES DUE 2014

REGISTRATION RIGHTS AGREEMENT

April 20, 2004

CREDIT SUISSE FIRST BOSTON LLC
BANC OF AMERICA SECURITIES LLC
ABN AMRO INCORPORATED
BANC ONE CAPITAL MARKETS, INC.
BNP PARIBAS SECURITIES CORP.
PIPER JAFFRAY & CO.
SG COWEN SECURITIES CORPORATION
WELLS FARGO SECURITIES, LLC
c/o Credit Suisse First Boston LLC
Eleven Madison Avenue
New York, New York 10010-3629

Dear Ladies and Gentlemen:

Ferrellgas Escrow LLC, a Delaware limited liability company ("Escrow LLC"), and Ferrellgas Finance Escrow Corporation, a Delaware corporation ("Escrow Finance Corp. "), propose to issue and sell to Credit Suisse First Boston LLC, Banc of America Securities LLC, ABN AMRO Incorporated, Banc One Capital Markets, Inc., BNP Paribas Securities Corp., Piper Jaffray & Co., SG Cowen Securities Corporation and Wells Fargo Securities, LLC (collectively, the "Initial Purchasers"), upon the terms set forth in a purchase agreement dated April 14, 2004 (the "Purchase Agreement"), $250,000,000 in aggregate principal amount of their 63/4% Senior Notes due 2014 (the "Initial Securities"). The Initial Securities will be issued pursuant to an indenture dated as of the date hereof (the "Indenture"), among Escrow LLC, Escrow Finance Corp., U.S. Bank National Association, as trustee (the "Trustee"), and, on and after the Merger Date (as defined below), Ferrellgas, L.P. a Delaware limited partnership (the "Company"), and Ferrellgas Finance Corp., a Delaware corporation ("Finance Co."). "Issuers" shall mean, prior to the Merger Date (as defined below), Escrow LLC and Escrow Finance Corp., and on and after the Merger Date, the Company and Finance Co. Capitalized terms not herein defined have meanings assigned to them in the Purchase Agreement.

Pursuant to the Agreement and Plan of Merger (the "Acquisition Merger Agreement") dated as of February 8, 2004, by and among FCI Trading Corp., a Delaware corporation ("FCI"), Diesel Acquisition LLC, a Delaware limited liability company and a wholly-owned subsidiary of FCI ("Diesel"), Ferrell Companies, Inc., a Kansas corporation, and Blue Rhino Corporation, a Delaware corporation ("Blue Rhino Corp."), Diesel will merge with and into Blue Rhino Corp. with Blue Rhino Corp. being the surviving entity (the "Acquisition Merger"). Pursuant to the Acquisition Merger Agreement, FCI has agreed to pay to the then-former common stockholders of Blue Rhino Corp. $17.00 per share in connection with the Acquisition Merger (the "Merger Consideration"). In order to pay the Merger Consideration and the fees and expenses relating to the Acquisition Merger, (a) Ferrellgas Partners, L.P. ("Ferrellgas Partners") (i) issued, on April 14, 2004, approximately $163 million of its common units in a public equity offering and (ii) will issue approximately $32.8 million of its common units to certain members of Ferrellgas Partners' and Blue Rhino Corp.'s management in several private equity offerings and (b) the Issuers will issue the Offered Securities. The net proceeds of the offering of the Offered Securities, together with additional funds such that the total initial deposit described below shall equal 100% of the aggregate principal amount of the Offered Securities, plus accrued and unpaid interest on the Offered Securities to, but not including, August 5, 2004, will be deposited in an escrow account in accordance with the terms and conditions contained in that certain escrow and security agreement (the "Escrow and Security Agreement") dated as of the Closing Date (as defined below), by and among Escrow LLC, Escrow Finance Corp., the Trustee and LaSalle Bank, National Association ("LaSalle"), as escrow agent and securities intermediary, pending the consummation of the Acquisition Merger.

Upon the consummation of the Acquisition Merger and the occurrence of certain other conditions, it is expected that the funds deposited into the escrow account pursuant to the Escrow and Security Agreement will be released to the Issuers pursuant thereto. In accordance with the terms of the Acquisition Merger Agreement, such funds, together with other funds sufficient to pay the Merger Consideration, will be deposited into another escrow account pursuant to the terms of an escrow agreement (the "Acquisition Escrow Agreement"), to be dated as of or prior to the date of the consummation of the Acquisition Merger, by and among FCI, Blue Rhino Corp. and LaSalle, as escrow agent. Pursuant to the Acquisition Escrow Agreement, it is expected that all such funds will be released to a paying agent for payment of the Merger Consideration simultaneously with the effectiveness of the merger of Blue Rhino LLC with and into the Company and the Escrow Mergers (as defined below) (such date, the "Merger Date").

Pursuant to the Contribution Agreement dated as of February 8, 2004, by and among FCI, Ferrellgas, Inc., a Delaware corporation, Ferrellgas Partners and the Company, FCI has agreed to convert (such conversion, the "Blue Rhino Conversion") Blue Rhino Corp. into a limited liability company ("Blue Rhino LLC"). Upon the Blue Rhino Conversion, FCI will contribute to Ferrellgas Partners a portion of the membership interests in Blue Rhino LLC and Ferrellgas Partners will assume FCI's obligations under the Acquisition Merger Agreement to pay the Merger Consideration, together with specific other obligations. After that contribution, Ferrellgas Partners will contribute to the Company its membership interests in Blue Rhino LLC and the Company will assume Ferrellgas Partners' obligations to pay the Merger Consideration, together with specific other obligations. Blue Rhino LLC will then be merged with and into the Company with the Company being the surviving entity. As consideration for FCI's net contribution to Ferrellgas Partners, Ferrellgas Partners will issue to FCI common units representing limited partner interests in Ferrellgas Partners.

On the Merger Date, Escrow LLC will merge with and into the Company with the Company being the surviving entity and Escrow Finance Corp. will merge with and into Finance Corp. with Finance Corp. being the surviving entity, each pursuant to Section 253(a) of the Delaware General Corporation Law; and the Company and Finance Co. will succeed to the obligations of Escrow LLC and Escrow Finance Corp. under the Indenture, the Initial Securities and this Agreement.

As an inducement to the Initial Purchasers, the Issuers jointly and severally agree with the Initial Purchasers, for the benefit of the holders of the Initial Securities (including, without limitation, the Initial Purchasers), the Exchange Securities (as defined below) and the Private Exchange Securities (as defined below) (collectively, the "Holders"), as follows:

1. Registered Exchange Offer. The Issuers shall, at their own cost, prepare and, not later than 140 days after (or if the 140th day is not a business day, the first business day thereafter) the date of original issue of the Initial Securities (the "Issue Date"), file with the Securities and Exchange Commission (the "Commission") a registration statement (the "Exchange Offer Registration Statement") on an appropriate form under the Securities Act of 1933, as amended (the "Securities Act"), with respect to a proposed offer (the "Registered Exchange Offer") to the Holders of Transfer Restricted Securities (as defined in Section 6 hereof), who are not prohibited by any law or policy of the Commission from participating in the Registered Exchange Offer, to issue and deliver to such Holders, in exchange for the Initial Securities, a like aggregate principal amount of debt securities (the "Exchange Securities") of the Issuers issued under the Indenture and identical in all material respects to the Initial Securities (except for the transfer restrictions relating to the Initial Securities and the provisions relating to the matters described in Section 6 hereof) that would be registered under the Securities Act. The Issuers shall use their reasonable best efforts to cause such Exchange Offer Registration Statement to become effective under the Securities Act within 230 days (or if the 230th day is not a business day, the first business day thereafter) after the Issue Date of the Initial Securities and shall keep the Exchange Offer Registration Statement effective for not less than 30 days (or longer, if required by applicable law) after the date notice of the Registered Exchange Offer is first mailed to the Holders (such period being called the "Exchange Offer Registration Period").

If the Issuers effect the Registered Exchange Offer, the Issuers will be entitled to close the Registered Exchange Offer 30 days after the commencement thereof provided that the Issuers have accepted all the Initial Securities theretofore validly tendered in accordance with the terms of the Registered Exchange Offer.

Following the declaration of the effectiveness of the Exchange Offer Registration Statement, the Issuers shall as promptly as reasonably practicable commence the Registered Exchange Offer, it being the objective of such Registered Exchange Offer to enable each Holder of Transfer Restricted Securities (as defined in Section 6(d) hereof) electing to exchange the Initial Securities for Exchange Securities (assuming that such Holder is not an affiliate of the Issuers within the meaning of the Securities Act, acquires the Exchange Securities in the ordinary course of such Holder's business and has no arrangements with any person to participate in the distribution of the Exchange Securities and is not prohibited by any law or policy of the Commission from participating in the Registered Exchange Offer) to trade such Exchange Securities from and after their receipt without any limitations or restrictions under the Securities Act and without material restrictions under the securities laws of the several states of the United States.

Each Holder participating in the Registered Exchange Offer shall be required to represent to the Issuers in writing that at the time of the consummation of the Registered Exchange Offer, (i) any Exchange Securities received by such Holder will be acquired in the ordinary course of its business, (ii) such Holder will have no arrangements or understanding with any person to participate in the distribution of the Securities or the Exchange Securities within the meaning of the Securities Act, (iii) such Holder is not an "affiliate," as defined in Rule 405 of the Securities Act, of the Issuers or if it is an affiliate, such Holder will comply with the registration and prospectus delivery requirements of the Securities Act to the extent applicable, (iv) if such Holder is not a broker-dealer, that it is not engaged in, and does not intend to engage in, the distribution of the Exchange Securities and (v) if such Holder is a broker-dealer, that it will receive Exchange Securities for its own account in exchange for Initial Securities that were acquired as a result of market-making activities or other trading activities and that it will be required to acknowledge that it will deliver a prospectus meeting the requirements of the Securities Act in connection with any resale of such Exchange Securities.

The Issuers and the Initial Purchasers acknowledge that, pursuant to current interpretations by the Commission's staff of Section 5 of the Securities Act, in the absence of an applicable exemption therefrom, (i) each Holder which is a broker-dealer electing to exchange Initial Securities acquired for its own account as a result of market making activities or other trading activities, for Exchange Securities (an "Exchanging Dealer"), may be deemed to be an "underwriter" within the meaning of the Securities Act and therefore will be required to deliver a prospectus containing the information set forth in (a) Annex A hereto (on the cover of the prospectus), (b) Annex B hereto (in the "Exchange Offer Procedures" and the "Purpose of the Exchange Offer" sections of the prospectus), and (c) Annex C hereto (in the "Plan of Distribution" section of the prospectus) in connection with a sale of any such Exchange Securities received by such Exchanging Dealer pursuant to the Registered Exchange Offer and (ii) an Initial Purchaser that elects to sell Exchange Securities acquired in exchange for Securities constituting any portion of an unsold allotment is required to deliver a prospectus containing the information required by Items 507 or 508 of Regulation S-K under the Securities Act, as applicable, in connection with such sale.

The Issuers shall use their reasonable best efforts to keep the Exchange Offer Registration Statement effective and to amend and supplement the prospectus contained therein, in order to permit such prospectus to be lawfully delivered by all persons subject to the prospectus delivery requirements of the Securities Act for such period of time as such persons must comply with such requirements in order to resell the Exchange Securities; provided, however, that (i) in the case where such prospectus and any amendment or supplement thereto must be delivered by an Exchanging Dealer or an Initial Purchaser, such period shall be the lesser of 180 days and the date on which all Exchanging Dealers and the Initial Purchasers have sold all Exchange Securities held by them (unless such period is extended pursuant to Section 3(j) below) and (ii) the Issuers shall make such prospectus and any amendment or supplement thereto, available to any broker-dealer for use in connection with any resale of any Exchange Securities for a period of not less than 90 days after the consummation of the Registered Exchange Offer.

If, upon consummation of the Registered Exchange Offer, any Initial Purchaser holds Initial Securities acquired by it as part of its initial distribution, the Issuers, simultaneously with the delivery of the Exchange Securities pursuant to the Registered Exchange Offer, shall issue and deliver to such Initial Purchaser upon the written request of such Initial Purchaser, in exchange (the "Private Exchange") for the Initial Securities held by such Initial Purchaser, a like principal amount of debt securities of the Issuers issued under the Indenture and identical in all material respects (including the existence of restrictions on transfer under the Securities Act and the securities laws of the several states of the United States, but excluding provisions relating to the matters described in Section 6 hereof) to the Initial Securities (the "Private Exchange Securities"). The Initial Securities, the Exchange Securities and the Private Exchange Securities are herein collectively called the "Securities." The Private Exchange Securities shall bear the same CUSIP as the Exchange Securities.

In connection with the Registered Exchange Offer, the Issuers shall:

(a) mail, or cause to be mailed, to each Holder entitled to participate in the Registered Exchange Offer a copy of the prospectus forming part of the Exchange Offer Registration Statement, together with an appropriate letter of transmittal and related documents;

(b) keep the Registered Exchange Offer open for not less than 30 days (or longer, if required by applicable law) after the date notice thereof is first mailed to such Holders;

(c) utilize the services of a depositary for the Registered Exchange Offer with an address in the Borough of Manhattan, The City of New York, which may be the Trustee or an affiliate of the Trustee;

(d) permit Holders to withdraw tendered Securities at any time prior to the close of business, New York time, on the last business day on which the Registered Exchange Offer shall remain open; and

(e) otherwise comply in all material respects with all applicable laws.

As soon as practicable after the close of the Registered Exchange Offer or the Private Exchange, as the case may be, the Issuers shall:

(x) accept for exchange all the Securities validly tendered and not validly withdrawn pursuant to the Registered Exchange Offer and the Private Exchange;

(y) deliver, or caused to be delivered, to the Trustee for cancellation all the Initial Securities so accepted for exchange; and

(z) use reasonable best efforts to cause the Trustee to authenticate and deliver promptly to each Holder of the Initial Securities, Exchange Securities or Private Exchange Securities, as the case may be, equal in principal amount to the Initial Securities of such Holder so accepted for exchange.

The Indenture will provide that the Exchange Securities will not be subject to the transfer restrictions set forth in the Indenture and that all the Securities will vote and consent together on all matters as one class and that none of the Securities will have the right to vote or consent as a class separate from one another on any matter.

Interest on each Exchange Security and Private Exchange Security issued pursuant to the Registered Exchange Offer and in the Private Exchange will accrue from the last interest payment date on which interest was paid on the Initial Securities surrendered in exchange therefor or, if no interest has been paid on the Initial Securities, from the date of original issue of the Initial Securities.

Notwithstanding any other provisions hereof, the Issuers will ensure that (i) any Exchange Offer Registration Statement and any amendment thereto and any prospectus forming part thereof and any supplement thereto complies in all material respects with the Securities Act and the rules and regulations thereunder, (ii) any Exchange Offer Registration Statement and any amendment thereto does not, when it becomes effective, 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 not misleading and (iii) any prospectus forming part of any Exchange Offer Registration Statement, and any supplement to such prospectus, does not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

2. Shelf Registration. If, (i) because of any change in law or in applicable interpretations thereof by the staff of the Commission, the Issuers are not permitted to effect a Registered Exchange Offer, as contemplated by Section 1 hereof, (ii) the Registered Exchange Offer is not consummated within 260 days of the Issue Date, (iii) any Initial Purchaser notifies the Issuers with respect to the Initial Securities (or the Private Exchange Securities) not eligible to be exchanged for Exchange Securities in the Registered Exchange Offer and held by it within 30 days following consummation of the Registered Exchange Offer or (iv) any Holder notifies the Issuers within 30 days following consummation of the Registered Exchange Offer that it is prohibited by law or the Commission's policy from participating in the Registered Exchange Offer or may not resell the Exchange Securities acquired by it in the Registered Exchange Offer to the public without delivering a prospectus, and the prospectus contained in the Exchange Offer Registration Statement is not appropriate or not available for such resales, the Issuers shall take the following actions:

(a) The Issuers shall, at their cost, as promptly as reasonably practicable after so required or requested pursuant to this Section 2 file with the Commission and thereafter shall use their reasonable best efforts to cause to be declared effective (i) in the case of Section 2(i) above, on or prior to the 260th day after the date of the Indenture and (ii) in the case of Section 2(ii), 2(iii) or 2(iv) above, on or prior to the 90th day after the Shelf Filing Date (as defined in Section 6(iv)) (the "Shelf Registration Statement" and, together with the Exchange Offer Registration Statement, a "Registration Statement") on an appropriate form under the Securities Act relating to the offer and sale of the Transfer Restricted Securities (as defined in Section 6 hereof) by the Holders thereof from time to time in accordance with the methods of distribution set forth in the Shelf Registration Statement and Rule 415 under the Securities Act (hereinafter, the "Shelf Registration"); provided, however, that no Holder (other than an Initial Purchaser) shall be entitled to have the Securities held by it covered by such Shelf Registration Statement unless such Holder agrees in writing to be bound by all the provisions of this Agreement applicable to such Holder.

(b) The Issuers shall use their reasonable best efforts to keep the Shelf Registration Statement continuously effective in order to permit the prospectus included therein to be lawfully delivered by the Holders of the relevant Securities, until the earliest of (a) the time when the Securities covered by the Shelf Registration Statement can be sold pursuant to Rule 144 under the Securities Act, or any successor rule thereof without any limitations under clauses (c),(e),(f) and (h) of Rule 144, (b) two years from the date of the Indenture and (or for a longer period if extended pursuant to Section 3(j) below) and (c) the date on which all Securities registered thereunder are disposed of in accordance therewith. Either or both of the Issuers shall be deemed not to have used its or their reasonable best efforts to keep the Shelf Registration Statement effective during the requisite period if it or they voluntarily take(s) any action that would result in Holders of Securities covered thereby not being able to offer and sell such Securities during that period, unless such action is required by applicable law.

(c) Notwithstanding any other provisions of this Agreement to the contrary, the Issuers shall cause the Shelf Registration Statement and the related prospectus and any amendment or supplement thereto, as of the effective date of the Shelf Registration Statement, amendment or supplement (i) to comply in all material respects with the applicable requirements of the Securities Act and the rules and regulations of the Commission and (ii) not to contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

3. Registration Procedures. In connection with any Shelf Registration contemplated by Section 2 hereof and, to the extent applicable, any Registered Exchange Offer contemplated by Section 1 hereof, the following provisions shall apply:

(a) The Issuers shall (i) furnish to each Initial Purchaser, prior to the filing thereof with the Commission, a copy of the Registration Statement and each amendment thereof and each supplement, if any, to the prospectus included therein and, in the event that an Initial Purchaser (with respect to any portion of an unsold allotment from the original offering) is participating in the Registered Exchange Offer or the Shelf Registration Statement, the Issuers shall use their reasonable best efforts to reflect in each such document, when so filed with the Commission, such comments as such Initial Purchaser reasonably may propose upon advice of counsel (it being understood that any final determination shall be made by the Issuers in their reasonable discretion); (ii) include the information set forth in Annex A hereto on the cover, in Annex B hereto in the "Exchange Offer Procedures" section and the "Purpose of the Exchange Offer" section and in Annex C hereto in the "Plan of Distribution" section of the prospectus forming a part of the Exchange Offer Registration Statement and include the information set forth in Annex D hereto in the Letter of Transmittal delivered pursuant to the Registered Exchange Offer; (iii) if requested by an Initial Purchaser, include the information required by Items 507 or 508 of Regulation S-K under the Securities Act, as applicable, in the prospectus forming a part of the Exchange Offer Registration Statement; (iv) include within the prospectus contained in the Exchange Offer Registration Statement a section entitled "Plan of Distribution," reasonably acceptable to the Initial Purchasers, which shall contain a summary statement of the positions taken or policies made by the staff of the Commission with respect to the potential "underwriter" status of any broker-dealer that is the beneficial owner (as defined in Rule 13d-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) of Exchange Securities received by such broker-dealer in the Registered Exchange Offer (a "Participating Broker-Dealer"), whether such positions or policies have been publicly disseminated by the staff of the Commission or such positions or policies, in the reasonable judgment of the Initial Purchasers based upon advice of counsel (which may be in-house counsel), represent the prevailing views of the staff of the Commission; and (v) in the case of a Shelf Registration Statement, include the names of the Holders, who propose to sell Securities pursuant to the Shelf Registration Statement, as selling securityholders.

(b) The Issuers shall give written notice to the Initial Purchasers, the Holders of the Securities and any Participating Broker-Dealer from whom either of the Issuers has received prior written notice that it will be a Participating Broker-Dealer in the Registered Exchange Offer (which notice pursuant to clauses (ii)-(v) hereof shall be accompanied by an instruction to suspend the use of the prospectus until the requisite changes have been made):

(i) when the Registration Statement or any amendment thereto has been filed with the Commission and when the Registration Statement or any post-effective amendment thereto has become effective;

(ii) of any request by the Commission for amendments or supplements to the Registration Statement or the prospectus included therein or for additional information;

(iii) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or the initiation of any proceedings for that purpose;

(iv) of the receipt by either of the Issuers or their legal counsel of any notification with respect to the suspension of the qualification of the Securities for sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose; and

(v) of the happening of any event that requires the Issuers to make changes in the Registration Statement or the prospectus in order that the Registration Statement or the prospectus do not contain an untrue statement of a material fact nor omit to state a material fact required to be stated therein or necessary to make the statements therein (in the case of the prospectus, in light of the circumstances under which they were made) not misleading.

(c) The Issuers shall use their reasonable best efforts to obtain the withdrawal at the earliest possible time, of any order suspending the effectiveness of the Registration Statement.

(d) The Issuers shall furnish to each Holder of Securities included within the coverage of the Shelf Registration, without charge, at least one copy of the Shelf Registration Statement and any post-effective amendment thereto, including financial statements and schedules, and, if the Holder so requests in writing, all exhibits thereto (including those, if any, incorporated by reference).

(e) The Issuers shall deliver to each Exchanging Dealer and each Initial Purchaser, and to any other Holder who so requests, without charge, at least one copy of the Exchange Offer Registration Statement and any post-effective amendment thereto, including financial statements and schedules, and, if any Initial Purchaser or any such Holder requests, all exhibits thereto (including those incorporated by reference).

(f) The Issuers shall, during the Shelf Registration Period, deliver to each Holder of Securities included within the coverage of the Shelf Registration, without charge, as many copies of the prospectus (including each preliminary prospectus) included in the Shelf Registration Statement and any amendment or supplement thereto as such person may reasonably request. The Issuers consent, subject to the provisions of this Agreement, to the use of the prospectus or any amendment or supplement thereto by each of the selling Holders of the Securities in connection with the offering and sale of the Securities covered by the prospectus, or any amendment or supplement thereto, included in the Shelf Registration Statement.

(g) The Issuers shall deliver to each Initial Purchaser, any Exchanging Dealer, any Participating Broker-Dealer and such other persons required to deliver a prospectus following the Registered Exchange Offer, without charge, as many copies of the final prospectus included in the Exchange Offer Registration Statement and any amendment or supplement thereto as such persons may reasonably request. The Issuers consent, subject to the provisions of this Agreement, to the use of the prospectus or any amendment or supplement thereto by any Initial Purchaser, if necessary, any Participating Broker-Dealer and such other persons required to deliver a prospectus following the Registered Exchange Offer in connection with the offering and sale of the Exchange Securities covered by the prospectus, or any amendment or supplement thereto, included in such Exchange Offer Registration Statement.

(h) Prior to any public offering of the Securities, pursuant to any Registration Statement, the Issuers shall register or qualify or cooperate with the Holders of the Securities included therein and their respective counsel in connection with the registration or qualification of the Securities for offer and sale under the securities or "blue sky" laws of such states of the United States as any Holder of the Securities reasonably requests in writing and do any and all other acts or things necessary or advisable to enable the offer and sale in such jurisdictions of the Securities covered by such Registration Statement; provided, however, that neither of the Issuers shall be required to (i) qualify generally to do business in any jurisdiction where it is not then so qualified or (ii) take any action which would subject it to general service of process or to taxation in any jurisdiction where it is not then so subject.

(i) The Issuers shall cooperate with the Holders of the Securities to facilitate the timely preparation and delivery of certificates representing the Securities to be sold pursuant to any Registration Statement free of any restrictive legends and in such denominations and registered in such names as the Holders may request a reasonable period of time prior to sales of the Securities pursuant to such Registration Statement.

(j) Upon the occurrence of any event contemplated by paragraphs (ii) through (v) of Section 3(b) above during the period for which the Issuers are required to maintain an effective Registration Statement, the Issuers shall use their reasonable best efforts to promptly prepare and file a post-effective amendment to the Registration Statement or a supplement to the related prospectus and any other required document so that, as thereafter delivered to Holders of the Securities or purchasers of Securities, the prospectus will not contain an untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. If the Issuers notify the Initial Purchasers, the Holders of the Securities and any known Participating Broker-Dealer in accordance with paragraphs (ii) through (v) of Section 3(b) above to suspend the use of the prospectus until the requisite changes to the prospectus have been made, then the Initial Purchasers, the Holders of the Securities and any such Participating Broker-Dealers shall suspend use of such prospectus, and the period of effectiveness of the Shelf Registration Statement provided for in Section 2(b) above and the Exchange Offer Registration Statement provided for in Section 1 above shall each be extended by the number of days from and including the date of the giving of such notice to and including the date when the Initial Purchasers, the Holders of the Securities and any known Participating Broker-Dealer shall have received such amended or supplemented prospectus pursuant to this Section 3(j).

(k) Not later than the effective date of the applicable Registration Statement, the Issuers will provide a CUSIP number for the Exchange Securities or the Private Exchange Securities, as the case may be, and provide the applicable trustee with printed certificates for the Exchange Securities or the Private Exchange Securities, as the case may be, in a form eligible for deposit with The Depository Trust Company.

(l) The Issuers will comply with all rules and regulations of the Commission to the extent and so long as they are applicable to the Registered Exchange Offer or the Shelf Registration and will make generally available to their security holders (or otherwise provide in accordance with Section 11(a) of the Securities Act) an earnings statement satisfying the provisions of Section 11(a) of the Securities Act in accordance with Rule 158 thereunder (or any similar rule promulgated under the Securities Act) or otherwise.

(m) The Issuers shall use their reasonable best efforts to cause the Indenture to be qualified under the Trust Indenture Act of 1939, as amended, in a timely manner and containing such changes, if any, as shall be necessary for such qualification. In the event that such qualification would require the appointment of a new trustee under the Indenture, the Issuers shall use their reasonable best efforts to appoint a new trustee thereunder pursuant to the applicable provisions of the Indenture.

(n) The Issuers may require each Holder of Securities to be sold pursuant to the Shelf Registration Statement to furnish to the Issuers such information regarding the Holder and the distribution of the Securities as the Issuers may from time to time reasonably require for inclusion in the Shelf Registration Statement, and the Issuers may exclude from such registration the Securities of any Holder that fails to furnish such information within a reasonable time after receiving such request.

(o) The Issuers shall use their reasonable best efforts to enter into such customary agreements (including, if reasonably requested, an underwriting agreement in customary form) and take all such other reasonable action, if any, as the Holders of a majority in aggregate principal amount of the Securities covered thereby shall reasonably request in order to facilitate the disposition of the Securities pursuant to any Shelf Registration.

(p) In the case of any Shelf Registration, the Issuers shall (i) make reasonably available for inspection by the Holders of the Securities, any underwriter participating in any disposition pursuant to the Shelf Registration Statement and any attorney, accountant or other agent retained by the Holders of the Securities or any such underwriter all relevant financial and other records, pertinent corporate documents and properties of the Issuers and (ii) cause the Issuers' officers, directors, employees, accountants and auditors to supply all relevant information reasonably requested by the Holders of the Securities or any such underwriter, attorney, accountant or agent in connection with the Shelf Registration Statement, in each case, as shall be reasonably necessary to enable such persons, to conduct a reasonable investigation within the meaning of Section 11 of the Securities Act; provided, however, that the foregoing inspection and information gathering shall be coordinated on behalf of the Initial Purchasers by the Issuers and on behalf of the other parties, by one counsel designated by and on behalf of such other parties as described in Section 4 hereof.

(q) In the case of any Shelf Registration, the Issuers, if requested by any the Holders of a majority in aggregate principal amount of the Securities covered covered thereby, shall use their reasonable best efforts to cause (i) their counsel to deliver an opinion and updates thereof relating to the Securities in customary form addressed to such Holders and the managing underwriters, if any, thereof and dated, in the case of the initial opinion, the effective date of such Shelf Registration Statement

(it being agreed that the matters to be covered by such opinion shall include the due incorporation and good standing of each of the Issuers; the qualification of each of the Issuers to transact business as foreign corporations; the due authorization, execution and delivery of the relevant agreement of the type referred to in Section 3(o) hereof; the due authorization, execution, authentication and issuance, and the validity and enforceability, of the applicable Securities; to the knowledge of such counsel, the absence of material legal or governmental proceedings involving the Issuers; the absence of material governmental approvals required to be obtained in connection with the Shelf Registration Statement, the offering and sale of the applicable Securities, or any agreement of the type referred to in Section 3(o) hereof; and the material compliance as to form of such Shelf Registration Statement and any documents incorporated by reference therein and of the Indenture with the requirements of the Securities Act and the Trust Indenture Act, respectively). Such counsel shall also advise that they have participated in conferences with officers and other representatives of the Issuers and representatives of the independent public accountants of the Company and its consolidated subsidiaries and representatives and counsel of the Initial Purchasers at which the contents of the Shelf Registration Statement and the prospectus included therein were discussed and, based on such participation and review, although such counsel is not passing upon and does not assume responsibility for the accuracy, completeness or fairness of the statements contained in the Shelf Registration Statement and the prospectus included therein and such counsel has made no independent check or verification thereof, on the basis of the foregoing, no facts have come to such counsel's attention that have caused them to believe that as of the date of the opinion and as of the effective date of the Shelf Registration Statement or most recent post-effective amendment thereto, as the case may be, such Shelf Registration Statement and the prospectus included therein, as then amended or supplemented, and any documents incorporated by reference therein, contained an untrue statement of a material fact or the omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading (in the case of any such documents, in the light of the circumstances existing at the time that such documents were filed with the Commission under the Exchange Act); (ii) their officers to execute and deliver all customary documents and certificates and updates thereof requested by any underwriters of the applicable Securities; and (iii) their independent public accountants and the independent public accountants with respect to any other entity for which financial information is provided in the Shelf Registration Statement to provide to the selling Holders of the applicable Securities and any underwriter therefor a comfort letter in customary form and covering matters of the type customarily covered in comfort letters in connection with primary underwritten offerings, subject to receipt of appropriate documentation as contemplated, and only if permitted, by Statement of Auditing Standards No. 72.

(r) If a Registered Exchange Offer or a Private Exchange is to be consummated, upon delivery of the Initial Securities by Holders to the Issuers (or to such other Person as directed by the Issuers) in exchange for the Exchange Securities or the Private Exchange Securities, as the case may be, the Issuers shall mark, or caused to be marked, on the Initial Securities so exchanged that such Initial Securities are being canceled in exchange for the Exchange Securities or the Private Exchange Securities, as the case may be; in no event shall the Initial Securities be marked as paid or otherwise satisfied.

(t) The Issuers will use their reasonable best efforts to (a) if the Initial Securities have been rated prior to the initial sale of such Initial Securities, confirm such ratings will apply to the Securities covered by a Registration Statement, or (b) if the Initial Securities were not previously rated, cause the Securities covered by a Registration Statement to be rated with the appropriate rating agencies, if so requested by Holders of a majority in aggregate principal amount of Securities covered by such Registration Statement, or by the managing underwriters, if any.

(u) In the event that any broker-dealer registered under the Exchange Act shall underwrite any Securities or participate as a member of an underwriting syndicate or selling group or "assist in the distribution" (within the meaning of the Conduct Rules (the "Rules") of the National Association of Securities Dealers, Inc. ("NASD")) thereof, whether as a Holder of such Securities or as an underwriter, a placement or sales agent or a broker or dealer in respect thereof, or otherwise, the Issuers will assist such broker-dealer in complying with the requirements of such Rules, including, without limitation, by (i) if such Rules, including Rule 2720, shall so require, engaging a "qualified independent underwriter" (as defined in Rule 2720) to participate in the preparation of the Registration Statement relating to such Securities, to exercise usual standards of due diligence in respect thereto and, if any portion of the offering contemplated by such Registration Statement is an underwritten offering or is made through a placement or sales agent, to recommend the yield of such Securities, (ii) indemnifying any such qualified independent underwriter to the extent of the indemnification of underwriters provided in Section 5 hereof and (iii) providing such information to such broker-dealer as may be required in order for such broker-dealer to comply with the requirements of the Rules.

(v) The Issuers shall use their reasonable best efforts to take all other steps necessary to effect the registration of the Securities covered by a Registration Statement contemplated hereby.

4. Registration Expenses. The Issuers, jointly and severally, shall bear all fees and expenses incurred in connection with the performance of their obligations under Sections 1 through 3 hereof (but excluding the fees and expenses of counsel to the Initial Purchasers incurred in connection with the Registered Exchange Offer), whether or not the Registered Exchange Offer or a Shelf Registration is filed or becomes effective, and, in the event of a Shelf Registration, shall reimburse the Holders of the Securities covered thereby for up to $25,000,000 of the reasonable fees and disbursements of one firm of counsel designated by the Holders of a majority in principal amount of the Initial Securities covered thereby to act as counsel for the Holders of the Initial Securities in connection therewith.

5. Indemnification. (a) Each of the Issuers, jointly and severally, agrees to indemnify and hold harmless each Holder of the Securities, any Participating Broker-Dealer and each person, if any, who controls such Holder or such Participating Broker-Dealer within the meaning of the Securities Act or the Exchange Act (each Holder, any Participating Broker-Dealer and such controlling persons are referred to collectively as the "Indemnified Parties") from and against any losses, claims, damages or liabilities, joint or several, or any actions in respect thereof (including, but not limited to, any losses, claims, damages, liabilities or actions relating to purchases and sales of the Securities) to which each Indemnified Party may become subject under the Securities Act, the Exchange Act or otherwise, insofar as such losses, claims, damages, liabilities or actions arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in a Registration Statement or prospectus or in any amendment or supplement thereto or in any preliminary prospectus relating to a Shelf Registration, or arise out of, or are based upon, the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and shall reimburse, as incurred, the Indemnified Parties for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability or action in respect thereof; provided, however, that (i) the Issuers shall not be liable in any such case to the extent that such loss, claim, damage or liability arises out of or is based upon any untrue statement or alleged untrue statement or omission or alleged omission made in a Registration Statement or prospectus or in any amendment or supplement thereto or in any preliminary prospectus relating to a Shelf Registration in reliance upon and in conformity with written information pertaining to such Holder and furnished to the Issuers by or on behalf of such Holder specifically for inclusion therein and (ii) with respect to any untrue statement or omission or alleged untrue statement or omission made in any preliminary prospectus relating to a Shelf Registration Statement, the indemnity agreement contained in this subsection (a) shall not inure to the benefit of any Holder or Participating Broker-Dealer from whom the person asserting any such losses, claims, damages or liabilities purchased the Securities concerned, to the extent that a prospectus relating to such Securities was required to be delivered by such Holder or Participating Broker-Dealer under the Securities Act in connection with such purchase and any such loss, claim, damage or liability of such Holder or Participating Broker-Dealer results from the fact that there was not sent or given to such person, at or prior to the written confirmation of the sale of such Securities to such person, a copy of the final prospectus if the Issuers had previously furnished copies thereof to such Holder or Participating Broker-Dealer; provided further, however, that this indemnity agreement will be in addition to any liability which the Issuers may otherwise have to such Indemnified Party. Each of the Issuers, jointly and severally, shall also indemnify underwriters, their officers and directors and each person who controls such underwriters within the meaning of the Securities Act or the Exchange Act to the same extent as provided above with respect to the indemnification of the Holders of the Securities if requested by such Holders.

(b) Each Indemnified Party, severally and not jointly, agrees to indemnify and hold harmless each of the Issuers and each person, if any, who controls either such Issuer within the meaning of the Securities Act or the Exchange Act from and against any losses, claims, damages or liabilities joint and several, or any actions in respect thereof, including, but not limited to, any losses, claims, damages, liabilities or actions relating to purchases and sales of Securities, to which such Issuer or any such controlling person may become subject under the Securities Act, the Exchange Act or otherwise, insofar as such losses, claims, damages, liabilities or actions arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in a Registration Statement or prospectus or in any amendment or supplement thereto or in any preliminary prospectus relating to a Shelf Registration, or arise out of or are based upon the omission or alleged omission to state therein a material fact necessary to make the statements therein not misleading, but in each case only to the extent that the untrue statement or omission or alleged untrue statement or omission was made in reliance upon and in conformity with written information pertaining to such Indemnified Party and furnished to the Issuers by or on behalf of such Indemnified Party specifically for inclusion therein; and, subject to the limitation set forth immediately preceding this clause, shall reimburse, as incurred, such Issuer for any legal or other expenses reasonably incurred by such Issuer or any such controlling person in connection with investigating or defending any loss, claim, damage, liability or action in respect thereof. This indemnity agreement will be in addition to any liability which such Indemnified Party may otherwise have to the Issuers or any of their controlling persons.

(c) Promptly after receipt by an indemnified party under this Section 5 of notice of the commencement of any action or proceeding (including a governmental investigation), such indemnified party will, if a claim in respect thereof is to be made against the indemnifying party under this Section 5, notify each indemnifying party of the commencement thereof; but the failure to notify the indemnifying party shall not relieve the indemnifying party from any liability that it may have under subsection (a) or (b) above except to the extent that it has been materially prejudiced (through the forfeiture of substantive rights or defenses) by such failure; and provided further that the failure to notify the indemnifying party shall not relieve it from any liability that it may have to an indemnified party otherwise than under subsection (a) or (b) above. In case any such action is brought against any indemnified party, and it notifies the indemnifying party of the commencement thereof, the indemnifying party will be entitled to participate therein and, to the extent that it may wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel reasonably satisfactory to such indemnified party (who shall not, except with the consent of the indemnified party, be counsel to the indemnifying party), and after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof the indemnifying party will not be liable to such indemnified party under this Section 5 for any legal or other expenses, other than reasonable costs of investigation, subsequently incurred by such indemnified party in connection with the defense thereof. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened action in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party unless such settlement (i) includes an unconditional release of such indemnified party from all liability on any claims that are the subject matter of such action, and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act by or on behalf of any indemnified party.

(d) If the indemnification provided for in this Section 5 is unavailable or insufficient to hold harmless an indemnified party under subsections (a) or (b) above, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of the losses, claims, damages or liabilities (or actions in respect thereof) referred to in subsection (a) or (b) above (i) in such proportion as is appropriate to reflect the relative benefits received by the indemnifying party or parties on the one hand and the indemnified party on the other from the exchange of the Securities, pursuant to the Registered Exchange Offer, or (ii) if the allocation provided by the foregoing clause (i) 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 party or parties on the one hand and the indemnified party on the other in connection with the statements or omissions that resulted in such losses, claims, damages or liabilities (or actions in respect thereof) as well as any other relevant equitable considerations. The relative fault of the parties 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 either of the Issuers on the one hand or such Holder or such other indemnified party, as the case may be, on the other, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The amount paid by an indemnified party as a result of the losses, claims, damages or liabilities referred to in the first sentence of this subsection (d) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any action or claim which is the subject of this subsection (d). Notwithstanding any other provision of this Section 5(d), the Holders of the Securities shall not be required to contribute any amount in excess of the amount by which the net proceeds received by such Holders from the sale of the Securities pursuant to a Registration Statement exceeds the amount of damages which such Holders have 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 Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. For purposes of this paragraph (d), each person, if any, who controls such indemnified party within the meaning of the Securities Act or the Exchange Act shall have the same rights to contribution as such indemnified party and each person, if any, who controls either of the Issuers within the meaning of the Securities Act or the Exchange Act shall have the same rights to contribution as such Issuer.

(e) The agreements contained in this Section 5 shall survive the sale of the Securities pursuant to a Registration Statement and shall remain in full force and effect, regardless of any termination or cancellation of this Agreement or any investigation made by or on behalf of any indemnified party.

6. Additional Interest Under Certain Circumstances. (a) Additional interest (the "Additional Interest") with respect to the Initial Securities shall be assessed as follows if any of the following events occur (each such event in clauses (i) through (vi) below a "Registration Default"):

(i) if the Issuers fail to file an Exchange Offer Registration Statement with the Commission on or prior to the 140th day after the date of the Indenture;

(ii) if the Exchange Offer Registration Statement is not declared effective the Commission on or prior to the 230th day after the date of the Indenture or, if obligated to file a Shelf Registration Statement pursuant to Section 2(i) above, a Shelf Registration Statement is not declared effective by the Commission on or prior to the 260th day after the date of the Indenture;

(iii) if the Exchange Offer is not consummated on or before the 30th day after the Exchange Offer Registration Statement is declared effective;

(iv) if obligated to file the Shelf Registration Statement pursuant to Section 2(ii), 2(iii) or 2(iv) above, the Issuers fail to file the Shelf Registration Statement with the Commission on or prior to the 30th day (the "Shelf Filing Date") after the date on which the obligation to file a Shelf Registration Statement arises;

(v) if obligated to file a Shelf Registration Statement pursuant to Section 2(ii), 2(iii) or 2(iv) above, the Shelf Registration Statement is not declared effective on or prior to the 90th day after the Shelf Filing Date; or

(vi) if after either the Exchange Offer Registration Statement or the Shelf Registration Statement is declared effective (A) such Registration Statement thereafter ceases to be effective; or (B) such Registration Statement or the related prospectus ceases to be usable (except as permitted in Section 6(b) below) in connection with resales of Transfer Restricted Securities during the periods specified herein because either (1) any event occurs as a result of which the related prospectus forming part of such Registration Statement would include any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein in the light of the circumstances under which they were made not misleading, or (2) it shall be necessary to amend such Registration Statement or supplement the related prospectus, to comply with the Securities Act or the Exchange Act or the respective rules thereunder.

Additional Interest shall accrue on the Initial Securities over and above the interest set forth in the title of the Securities from and including the date on which any such Registration Default shall occur to but excluding the date on which all such Registration Defaults have been cured, at a rate of 0.25% per annum for the first 90-day period immediately following the occurrence of a Registration Default, and such rate will increase by an additional 0.25% per annum with respect to each subsequent 90-day period until all Registration Defaults have been cured, up to a maximum additional interest rate of 1.0% per annum.

(b) A Registration Default referred to in Section 6(a)(vi)(B) hereof shall be deemed not to have occurred and be continuing in relation to a Shelf Registration Statement or the related prospectus if (i) such Registration Default has occurred solely as a result of (x) the filing of a post-effective amendment to such Shelf Registration Statement to incorporate annual audited financial information with respect to the Issuers where such post-effective amendment is not yet effective and needs to be declared effective to permit Holders to use the related prospectus or (y) other material events, with respect to either of the Issuers that would need to be described in such Shelf Registration Statement or the related prospectus and (ii) in the case of clause (y), the Issuers are proceeding promptly and in good faith to amend or supplement such Shelf Registration Statement and related prospectus to describe such events; provided, however, that in any case if such Registration Default occurs for a continuous period in excess of 30 days, Additional Interest shall be payable in accordance with the above paragraph from the day such Registration Default occurs until such Registration Default is cured.

(c) Any amounts of Additional Interest due pursuant to clauses (i) through (vi) of Section 6(a) above will be payable in cash on the regular interest payment dates with respect to the Initial Securities. The amount of Additional Interest will be determined by multiplying the applicable Additional Interest rate by the principal amount of the Initial Securities, multiplied by a fraction, the numerator of which is the number of days such Additional Interest rate was applicable during such period (determined on the basis of a 360-day year comprised of twelve 30-day months), and the denominator of which is 360.

(d) "Transfer Restricted Securities" means each Security until (i) the date on which such Transfer Restricted Security has been exchanged by a person other than a broker-dealer for a freely transferable Exchange Security in the Registered Exchange Offer, (ii) following the exchange by a broker-dealer in the Registered Exchange Offer of an Initial Security for an Exchange Note, the date on which such Exchange Note is sold to a purchaser who receives from such broker-dealer on or prior to the date of such sale a copy of the prospectus contained in the Exchange Offer Registration Statement, (iii) the date on which such Initial Security has been effectively registered under the Securities Act and disposed of in accordance with the Shelf Registration Statement or (iv) the date on which such Initial Securities is distributed to the public pursuant to Rule 144 under the Securities Act or is saleable pursuant to Rule 144(k) under the Securities Act.

8. Underwritten Registrations. If any of the Transfer Restricted Securities covered by any Shelf Registration are to be sold in an underwritten offering, the investment banker or investment bankers and manager or managers that will administer the offering ("Managing Underwriters") will be selected by the Holders of a majority in aggregate principal amount of such Transfer Restricted Securities to be included in such offering.

No person may participate in any underwritten registration hereunder unless such person (i) agrees to sell such person's Transfer Restricted Securities on the basis reasonably provided in any underwriting arrangements approved by the persons entitled hereunder to approve such arrangements and (ii) completes and executes all questionnaires, powers of attorney, indemnities, underwriting agreements and other documents reasonably required under the terms of such underwriting arrangements.

9. Miscellaneous.

(a) Amendments and Waivers. The provisions of this Agreement may not be amended, modified or supplemented, and waivers or consents to departures from the provisions hereof may not be given, except by the Issuers and the written consent of the Holders of a majority in principal amount of the Securities affected by such amendment, modification, supplement, waiver or consents.

(b) Notices. All notices and other communications provided for or permitted hereunder shall be made in writing by hand delivery, first-class mail, facsimile transmission, or air courier which guarantees overnight delivery:

(1) if to a Holder of the Securities, at the most current address given by such Holder to the Issuers.

(2) if to the Initial Purchasers;

Credit Suisse First Boston LLC
Eleven Madison Avenue
New York, NY 10010-3629
Fax No.: (212) 325-8278
Attention: Transactions Advisory Group

with a copy to:

Latham & Watkins LLP
885 Third Avenue, Suite 1000
New York, NY 10022
Fax No.: (212) 751-4864
Attention: Peter M. Labonski

(3) if to the Issuers, at the following address:

Ferrellgas, L.P.
One Liberty Plaza
Liberty, MO 64068
Fax No.: (816) 792-6979
Attention: Kevin T. Kelly

with a copy to:

Mayer, Brown, Rowe & Maw LLP
700 Louisiana Street, Suite 3600
Houston, TX 77002
Fax No.: (713) 632-1825
Attention: David L. Ronn

All such notices and communications shall be deemed to have been duly given: at the time delivered by hand, if personally delivered; three business days after being deposited in the mail, postage prepaid, if mailed; when receipt is acknowledged by recipient's facsimile machine operator, if sent by facsimile transmission; and on the day delivered, if sent by overnight air courier guaranteeing next day delivery.

(c) No Inconsistent Agreements. None of Escrow LLC, Escrow Finance Corp., the Company or Finance Co. has, as of the date hereof, entered into, nor shall it, on or after the date hereof, enter into, any agreement with respect to its securities that is inconsistent with the rights granted to the Holders herein or otherwise conflicts with the provisions hereof.

(d) Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of each of the parties hereto, the Holders and the Participating Broker-Dealers; provided, however, that nothing herein shall be deemed to permit any transfer of Securities in violation of this Agreement, the Indenture or applicable law or regulation. In the event that any transferee of any Holder acquires Securities in any manner, whether by gift, bequest, purchase, operation of law or otherwise, such transferee shall, without any further writing or action of any kind, be deemed a beneficiary hereof for all purposes and such Securities shall be held subject to all of the terms of this Agreement, and by taking and holding such Securities such transferee shall be entitled to receive the benefits of, and be conclusively deemed to have agreed to be bound by all of the applicable terms and provisions of this Agreement. If the Issuers shall so request, any such successor, assign or transferee shall agree in writing to acquire and hold the Securities subject to all of the applicable terms hereof.

(e) 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.

(f) Headings. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

(g) Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS.

(h) Severability. If 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.

(i) Securities Held by the Issuers. Whenever the consent or approval of Holders of a specified percentage of principal amount of Securities is required hereunder, Securities held by the Issuers or their affiliates (other than subsequent Holders of Securities if such subsequent Holders are deemed to be affiliates solely by reason of their holdings of such Securities) shall not be counted in determining whether such consent or approval was given by the Holders of such required percentage.

[Signature pages follow]

If the foregoing is in accordance with the Purchasers' understanding of our agreement, kindly sign and return to us one of the counterparts hereof, whereupon it will become a binding agreement among Escrow LLC, Escrow Corp., the Company, Finance Corp. and the several Purchasers, in accordance with its terms.

Very truly yours,

FERRELLGAS ESCROW LLC

By: Ferrellgas, L.P., its sole member

By: Ferrellgas, Inc., its general partner

By: /s/ Kevin T. Kelly

Name: Kevin T. Kelly
Title: Senior Vice President and Chief Financial Officer

FERRELLGAS FINANCE ESCROW CORPORATION

By: /s/ Kevin T. Kelly

Name: Kevin T. Kelly
Title: Senior Vice President and Chief Financial Officer

On and after the Merger Date, FERRELLGAS, L.P.

By: Ferrellgas, Inc., its general partner

By: /s/ Kevin T. Kelly

Name: Kevin T. Kelly
Title: Senior Vice President and Chief Financial Officer

On and after the Merger Date,
FERRELLGAS FINANCE CORP.

By: /s/ Kevin T. Kelly

Name: Kevin T. Kelly
Title: Senior Vice President and
Chief Financial Officer

The foregoing Registration
Rights Agreement is hereby confirmed
and accepted as of the date first
above written.

CREDIT SUISSE FIRST BOSTON LLC
BANC OF AMERICA SECURITIES LLC
ABN AMRO INCORPORATED
BANC ONE CAPITAL MARKETS, INC.
BNP PARIBAS SECURITIES CORP.
PIPER JAFFRAY & CO.
SG COWEN SECURITIES CORPORATION
WELLS FARGO SECURITIES, LLC

By: CREDIT SUISSE FIRST BOSTON LLC

By:/s/ Marc Warm
_____
Name: Marc Warm
Title: Director

Each broker-dealer that receives Exchange Securities for its own account pursuant to the Exchange Offer must acknowledge that it will deliver a prospectus meeting the requirements of the Securities Act in connection with any resale of such Exchange Securities. The Letter of Transmittal states that by so acknowledging and by delivering such a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act. This Prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of Exchange Securities received in exchange for Initial Securities where such Initial Securities were acquired by such broker-dealer as a result of market-making activities or other trading activities. The Issuers have agreed that, for a period of 180 days after the Expiration Date (as defined herein), they will make this Prospectus available to any broker-dealer for use in connection with any such resale. See "Plan of Distribution."

Each broker-dealer that receives Exchange Securities for its own account in exchange for Securities, where such Initial Securities were acquired by such broker-dealer as a result of market-making activities or other trading activities, must acknowledge that it will deliver a prospectus meeting the requirements of the Securities Act in connection with any resale of such Exchange Securities. See "Plan of Distribution."

PLAN OF DISTRIBUTION

Each broker-dealer that receives Exchange Securities for its own account pursuant to the Exchange Offer must acknowledge that it will deliver a prospectus meeting the requirements of the Securities Act in connection with any resale of such Exchange Securities. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of Exchange Securities received in exchange for Initial Securities where such Initial Securities were acquired as a result of market-making activities or other trading activities. The Issuers have agreed that, for a period of 180 days after the Expiration Date, they will make this prospectus, as amended or supplemented, available to any broker-dealer for use in connection with any such resale. In addition, until , 200 , all dealers effecting transactions in the Exchange Securities may be required to deliver a prospectus.(1)

The Issuers will not receive any proceeds from any sale of Exchange Securities by broker-dealers. Exchange Securities received by broker-dealers for their own account pursuant to the Exchange Offer may be sold from time to time in one or more transactions in the over-the-counter market, in negotiated transactions, through the writing of options on the Exchange Securities or a combination of such methods of resale, at market prices prevailing at the time of resale, at prices related to such prevailing market prices or negotiated prices. Any such resale may be made directly to purchasers or to or through brokers or dealers who may receive compensation in the form of commissions or concessions from any such broker-dealer or the purchasers of any such Exchange Securities. Any broker-dealer that resells Exchange Securities that were received by it for its own account pursuant to the Exchange Offer and any broker or dealer that participates in a distribution of such Exchange Securities may be deemed to be an "underwriter" within the meaning of the Securities Act and any profit on any such resale of Exchange Securities and any commission or concessions received by any such persons may be deemed to be underwriting compensation under the Securities Act. The Letter of Transmittal states that, by acknowledging that it will deliver and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act.

For a period of 180 days after the Expiration Date the Issuers will promptly as reasonably practicable send additional copies of this prospectus and any amendment or supplement to this prospectus to any broker-dealer that requests such documents in the Letter of Transmittal. The Issuers have agreed to pay all expenses incident to the Exchange Offer (including the expenses of one counsel for the Holders of the Securities) other than commissions or concessions of any brokers or dealers and will indemnify the Holders of the Securities (including any broker-dealers) against certain liabilities, including liabilities under the Securities Act.

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1 In addition, the legend required by Item 502(e) of Regulation S-K will appear on the back cover page of the Exchange Offer prospectus.

CHECK HERE IF YOU ARE A BROKER-DEALER AND WISH TO RECEIVE 10 ADDITIONAL COPIES OF THE PROSPECTUS AND 10 COPIES OF ANY AMENDMENTS OR SUPPLEMENTS THERETO.

Name: _____
Address: _____
_____

If the undersigned is not a broker-dealer, the undersigned represents that it is not engaged in, and does not intend to engage in, a distribution of Exchange Securities. If the undersigned is a broker-dealer that will receive Exchange Securities for its own account in exchange for Initial Securities that were acquired as a result of market-making activities or other trading activities, it acknowledges that it will deliver a prospectus meeting the requirements of the Securities Act in connection with any resale of such Exchange Securities; however, by so acknowledging and by delivering such a prospectus, the undersigned will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act.

Exhibit 23.1

Consent of Independent Auditors

We consent to the incorporation by reference in Amendment No. 3 to the Registration Statement (Form S-3 Nos. 333-103267, 333-103267-01, 333-103267-02, 333-103267-03) and in the related Prospectus Supplement of Ferrellgas Partners, L.P., Ferrellgas Partners Finance Corp., Ferrellgas, L.P., and Ferrellgas Finance Corp. of our report dated September 16, 2003, except for the last paragraph of Note 2 as to which the date is October 8, 2003, with respect to the consolidated financial statements of Blue Rhino Corporation for the year ended July 31, 2003, included in this Current Report (Form 8-K) dated April 22, 2004.

We also consent to the incorporation by reference in Post-Effective Amendment No. 1 to Registration Statement (Form S-4 to S-1 No. 33-55185) of Ferrellgas Partners, L.P. and in the related Prospectus of our report dated September 16, 2003, except for the last paragraph of Note 2 as to which the date is October 8, 2003, with respect to the consolidated financial statements of Blue Rhino Corporation included in this Current Report (Form 8-K) dated April 22, 2004.

We also consent to the incorporation by reference in Post-Effective Amendment No. 1 to the Registration Statements (Form S-8 Nos. 333-87633 and 333-84344) of Ferrellgas Partners, L.P. of our report dated September 16, 2003, except for the last paragraph of Note 2 as to which the date is October 8, 2003, with respect to the consolidated financial statements of Blue Rhino Corporation included in this Current Report (Form 8-K) dated April 22, 2004.

/s/ Ernst & Young LLP
Greensboro, North Carolina
April 20, 2004

Exhibit 99.1

For immediate release

Contact: Ryan VanWinkle, Investor Relations, 816-792-7998

Ferrellgas Announces Closing of $250 Million Senior Note Offering

Liberty, MO (April 20, 2004)--Ferrellgas Partners, L.P. (NYSE: FGP) and Ferrellgas, L.P. announced today that Ferrellgas Escrow LLC, a wholly-owned subsidiary of Ferrellgas, L.P., and Ferrellgas Finance Escrow Corp., a wholly-owned indirect subsidiary of Ferrellgas, L.P., closed a private placement of $250 million of 6-3/4% senior notes due 2014. The two subsidiaries are co-obligors under the senior notes and received net proceeds of approximately $243.5 million from the private placement based on an offering price of 99.637% per note and after deducting underwriting discounts and commissions.

Ferrellgas is one of the nation's largest retail marketers of propane and currently serves more than one million customers in 45 states. Ferrellgas employees indirectly own approximately 18 million common units of the partnership through an employee stock ownership plan.

Exhibit 99.2

For immediate release
Contacts: Ryan VanWinkle, Investor Relations, 816-792-7998
Scott Brockelmeyer, Media Relations, 816-792-7837

Ferrellgas Announces Completion of Blue Rhino Merger

Liberty, Mo. (April 20, 2004)--Ferrellgas Partners, L.P. (NYSE:FGP), one of the nation's largest and fastest growing retail propane marketers, announced today that the stockholders of Blue Rhino Corporation (NASDAQ:RINO) have approved the previously announced merger, which is the first in a series of transactions in which Ferrellgas will acquire substantially all of the assets of Blue Rhino.

Blue Rhino, which is based in Winston-Salem, North Carolina, is the nation's leading provider of branded propane tank exchange service and a leading provider of complementary products. The company's branded tank exchange service is offered at more than 30,000 retail locations in 49 states, Puerto Rico and the U.S. Virgin Islands through leading home improvement centers, mass merchants, hardware, grocery and convenience stores.

In accordance with the terms of the agreements, Ferrellgas is acquiring substantially all of the assets of Blue Rhino from a subsidiary of Ferrell Companies, Inc. As previously announced on February 9, 2004, Ferrell Companies, the parent company of Ferrellgas' general partner, entered into a merger agreement to acquire all of the outstanding stock of Blue Rhino in an all-cash transaction.

Earlier today, Blue Rhino stockholders owning approximately 71 percent of the outstanding common stock approved the merger at a special stockholders' meeting in Winston-Salem. Blue Rhino stockholders will receive $17 in cash for each share of Blue Rhino stock outstanding as of April 20, 2004. Total payment for the Blue Rhino equity is approximately $343 million.

"This is a historic day for Ferrellgas," said James E. Ferrell, Chairman and Chief Executive Officer. "Blue Rhino's summer grilling season cash flow provides a perfect complement to Ferrellgas' winter heating season cash flow, and the addition of Blue Rhino immediately makes Ferrellgas the largest player in the fastest-growing segment of the retail propane industry." -more-

In connection with the transactions, Billy Prim, co-founder, Chairman and Chief Executive Officer of Blue Rhino will join Ferrellgas' senior management team while continuing to oversee Blue Rhino's day-to-day operations. He also has been appointed to the Board of Directors of Ferrellgas, Inc., Ferrellgas Partners' general partner.

Ferrellgas Partners, L.P., through its operating partnership, Ferrellgas, L.P., serves more than one million customers in 45 states. Ferrellgas employees indirectly own more than 17 million common units of Ferrellgas Partners through an employee stock ownership plan. Ferrellgas Partners' common units trade on the New York Stock Exchange under the symbol FGP.

Statements in this release concerning expectations for the future are forward-looking statements. A variety of known and unknown risks, uncertainties and other factors could cause results, performance and expectations to differ materially from anticipated results, performance or expectations. These risks, uncertainties and other factors are discussed in Ferrellgas Partners' Annual Report on Form 10-K for the fiscal year ended July 31, 2003, and other documents filed from time to time, by Ferrellgas Partners, with the Securities and Exchange Commission.

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INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

BLUE RHINO CORPORATION

REPORT OF INDEPENDENT ACCOUNTANTS

To the Stockholders and Board of Directors of
Blue Rhino Corporation:

We have audited the accompanying consolidated balance sheets of Blue Rhino Corporation and subsidiaries as of July 31, 2003, and 2002 and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended July 31, 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Blue Rhino Corporation at July 31, 2003, and 2002, and the consolidated results of their operations and cash flows for each of the three years in the period ended July 31, 2003, in conformity with accounting principles generally accepted in the United States.

As discussed in Note 7 to the financial statements the Company adopted Statement of Financial Accounting Standard No. 142, requiring the Company to cease the amortization of goodwill and instead review goodwill for impairment on adoption and annually thereafter.

/s/ Ernst & Young LLP
Greensboro, North Carolina
September 16, 2003, except for the last paragraph of Note 2 as to which the date is October 8, 2003

BLUE RHINO CORPORATION

CONSOLIDATED BALANCE SHEETS
As of July 31, 2003 and 2002
(In thousands, except share and per share data)

	2003	2002
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,495	$ 1,563
Accounts receivable, net	25,809	25,329
Inventories	20,372	11,035
Prepaid expenses and other current assets	7,055	3,081
Deferred income taxes	2,266	-
Total current assets	57,997	41,008
Cylinders, net	50,917	37,004
Property, plant and equipment, net	37,765	30,477
Goodwill and other intangibles, net	62,862	31,988
Other assets	1,264	2,896
Total assets	$210,805	$143,373
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 19,193	$ 19,969
Current portion of long-term debt and capital lease obligations	6,433	2,013
Accrued liabilities	5,679	3,770
Total current liabilities	31,305	25,752
Long-term debt and capital lease obligations, less current maturities	42,800	39,259
Deferred income taxes	4,232	-
Total liabilities	78,337	65,011
Stockholders' equity:		
Preferred stock, $0.001 par value, 20,000,000 shares authorized, 1,850,000 shares issued and outstanding at July 31, 2002	-	2
Common stock, $0.001 par value, 100,000,000 shares authorized, 17,838,027 and 12,058,542 shares issued and outstanding at July 31, 2003 and 2002, respectively	18	12
Capital in excess of par	132,704	95,901
Accumulated deficit	(1,068)	(17,527)
Accumulated other comprehensive income (loss)	814	(26)
Total stockholders' equity	132,468	78,362
Total liabilities and stockholders' equity	$210,805	$143,373

The accompanying notes are an integral part of the consolidated financial statements.

BLUE RHINO CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS
For the Years Ended July 31, 2003, 2002 and 2001
(In thousands, except per share data)

	2003	2002	2001
Net revenues	$258,222	$205,585	$137,957
Operating costs and expenses:			
Cost of sales	196,084	159,440	106,783
Selling, general and administrative	28,404	21,886	18,688
Depreciation and amortization	9,261	7,888	8,461
Total operating costs and expenses	233,749	189,214	133,932
Income from operations	24,473	16,371	4,025
Interest and other expenses (income):			
Interest expense	7,784	6,217	5,134
Loss on investee	455	714	2,572
Nonrecurring item	--	--	449
Other, net	(2,513)	(422)	(301)
Income (loss) before income taxes	18,747	9,862	(3,829)
Income taxes	2,217	47	123
Net income (loss)	16,530	9,815	(3,952)
Preferred dividends	71	1,789	770
Income (loss) available to common stockholders	$16,459	$ 8,026	$ (4,722)
Earnings per common share:			
Basic	$ 1.00	$ 0.63	$ (0.41)
Diluted	$ 0.86	$ 0.55	$ (0.41)
Shares used in per share calculations:			
Basic	16,430	12,658	11,641
Diluted	19,239	14,701	11,641

The accompanying notes are an integral part of the consolidated financial statements.

BLUE RHINO CORPORATION

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the Years Ended July 31, 2003, 2002 and 2001
(In thousands, except share data)

	Common Stock		Preferred Stock		Capital in Excess	Common Stock		Accumulated Other	Total Stockholders'	Total Comprehensive
	Shares	Amount	Shares	Amount	of Par	Warrants	Accumulated Deficit	Comprehensive Income (Loss)	Equity	Income (Loss)
Balances, July 31, 2000	9,221,703	$ 9			$ 59,897	$2,877	$(20,831)		$ 41,952	
Issuance of Series A Convertible Preferred stock			1,716,667	$ 2	9,659				9,661	
Issuance of common stock warrants						3,526			3,526	
Issuance of preferred stock in connection with acquisitions			1,133,333	1	6,799				6,800	
Issuance of common stock under employee stock purchase and option plans	57,449				84				84	
Accretion of preferred dividend					770		(770)		--	
Expense related to distributor stock option plan					180				180	
Loss on derivative instruments								$(1,102)	(1,102)	$(1,102)
Net loss							(3,952)		(3,952)	(3,952)
Total comprehensive loss										$(5,054)
Balances, July 31, 2001	9,279,152	9	2,850,000	3	77,389	6,403	(25,553)	(1,102)	57,149	
Issuance of Series A Convertible Preferred stock					(168)				(168)	
Issuance of common stock in private placement	1,500,000	2			9,861				9,863	
Conversion of preferred stock to common stock	1,000,000	1	(1,000,000)	(1)					--	
Common stock issued for preferred dividend	96,532								--	
Accretion of preferred dividend					1,789		(1,789)		--	
Proceeds from exercise of stock options and warrants	105,277				481	(202)			279	
Issuance of common stock under employee stock purchase plan	77,581				237				237	
Expense related to distributor stock option plan					111				111	
Income on derivative instruments								1,076	1,076	$ 1,076
Net income							9,815		9,815	9,815
Total comprehensive income										$10,891
Balances, July 31, 2002	12,058,542	12	1,850,000	2	89,700	6,201	(17,527)	(26)	78,362	
Issuance of common stock in private placement	1,000,000	1			13,497	843			14,341	
Conversion of preferred stock to common stock	1,850,002	2	(1,850,000)	(2)					--	
Common stock issued for preferred dividend	137,079								--	
Accretion of preferred dividend					71		(71)		--	
Issuance of common stock in connection with acquisitions	1,104,196	1			18,549				18,550	

Proceeds from exercise of stock options and warrants	1,635,436	2		7,353	(4,485)			2,870		
Issuance of common stock under employee stock purchase plan	52,774			356				356		
Expense related to distributor stock option Plan				125				125		
Tax effect of non-qualified stock options exercised				494				494		
Income on derivative instruments, net of income taxes of $533							840	840	$ 840	
Net income						16,530		16,530	16,530	
Total comprehensive income									$17,370	
Balances, July 31, 2003	17,838,027	$18	--	$--	$130,145	$2,559	$ (1,068)	$ 814	$132,468	

The accompanying notes are an integral part of the consolidated financial statements.

BLUE RHINO CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended July 31, 2003, 2002 and 2001
(In thousands)

	2003	2002	2001
Cash flows from operating activities:			
Net income (loss)	$16,530	$ 9,815	$(3,952)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	9,261	7,888	8,461
Loss on investee	455	714	2,572
Expense related to distributor stock option plan	125	111	180
Non-cash interest expenses	3,446	1,048	210
Deferred income taxes	2,157	--	--
Nonrecurring item	--	--	449
Other	363	105	38
Changes in operating assets and liabilities, net of business acquisitions:			
Accounts receivable	250	(5,710)	(485)
Inventories	(15,035)	(3,126)	(2,477)
Other current assets	(295)	140	(1,540)
Accounts payable and accrued liabilities	(5,693)	5,764	(2,159)
Net cash provided by operating activities	11,564	16,749	1,297
Cash flows from investing activities:			
Business acquisitions	(6,746)	(218)	(1,334)
Purchases of property, plant and equipment	(11,400)	(4,683)	(5,582)
Purchase of cylinders, net	(7,720)	(7,381)	(5,414)
Net investment in and advances to joint venture	(1,086)	(1,049)	(4,152)
(Issuance of) collections on notes receivable and advances to distributors, net	(2,372)	205	217
Net cash used in investing activities	(29,324)	(13,126)	(16,265)
Cash flows from financing activities:			
Proceeds from (payments on) revolving line of credit, net	9,357	(10,977)	(6,654)
Proceeds from term loan	10,900	--	--
Proceeds from issuance of common stock, net	18,066	10,210	84
Payment of debt issuance and common stock registration costs	(1,320)	--	(932)
Payments of long-term debt and capital lease obligations	(18,311)	(2,337)	(2,226)
Proceeds from issuance of preferred stock, net	--	--	9,661
Proceeds from debt issuance	--	--	15,000
Net cash provided by (used in) financing activities	18,692	(3,104)	14,933
Net increase (decrease) in cash and cash equivalents	932	519	(35)
Cash and cash equivalents at beginning of period	1,563	1,044	1,079
Cash and cash equivalents at end of period	$ 2,495	$ 1,563	$ 1,044

The accompanying notes are an integral part of the consolidated financial statements.

BLUE RHINO CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except share and per share data)

1. Description of Business and Basis of Presentation

Blue Rhino Corporation ("Blue Rhino" or the "Company") believes it is the leading provider of propane cylinder exchange as well as a leading provider of complementary propane and non-propane products to consumers. Blue Rhino cylinder exchange provides consumers with a convenient means to exchange empty cylinders for clean, safe, precision-filled cylinders. The Company has branded cylinder displays at over 28,000 retail locations in 48 states plus Puerto Rico. Blue Rhino cylinder exchange is offered at leading home improvement centers, mass merchants, hardware, grocery and convenience stores. Cylinders are delivered to retailers through a national network of 51 independent and company-owned distributors. The Blue Rhino products group designs and imports patio heaters, barbecue grills, mosquito elimination devices and various garden and fireplace products primarily from Asia. These products are marketed primarily to home improvement centers, mass merchants, and hearth stores. A subsidiary, QuickShip, Inc., provides consumers with a convenient, full-service, in-store postal and parcel shipping depot and provides retailers with another revenue source.

The consolidated financial statements of Blue Rhino Corporation (the "Company") include the accounts of its wholly owned subsidiaries: Uniflame Corporation ("Uniflame"); QuickShip, Inc. ("QuickShip"); Rhino Services, L.L.C., CPD Associates, Inc.; USA Leasing, L.L.C.; Blue Rhino Global Sourcing, LLC; Platinum Propane, L.L.C. ("Platinum"); Ark Holding Company LLC ("Ark"); and Blue Rhino Consumer Products, LLC. As a result of the Company's acquisition of Platinum in November 2002, the Company increased its ownership interest in R4 Technical Center North Carolina, LLC ("R4 Tech") on a consolidated basis by 1% to 50%. The Company consolidated the results of R4 Tech beginning in the second quarter of fiscal 2003 as a result of its increased ownership and financial control (Note 11). All material intercompany transactions and balances have been eliminated in consolidation.

2. Summary of Significant Accounting Policies

Revenue Recognition -- Blue Rhino recognizes: (i) cylinder transaction revenues upon delivery of the cylinders to retailers by our distributors; (ii) products revenues upon shipment to retailers; and (iii) shipping services revenues at the time consumers ship packages at the in-store retail depot. The Company estimates returns and allowances against the revenues and records the estimated returns and allowances in the same period in which the revenue is recorded. These estimates are based upon historical analysis, customer agreements and/or currently known factors that arise in the normal course of business.

Accounts Receivable, Net -- Accounts receivable, net include allowances for doubtful accounts of $917 and $841 at July 31, 2003 and 2002, respectively. Allowances for doubtful accounts are estimated at the segment level based on estimates of losses related to customer receivable balances. Quantitative estimates are developed from accounts receivable agings based on expected losses. Qualitative estimates are based on evaluations of specific customer accounts in light of current economic conditions. Balances due from customers in bankruptcy are considered uncollectible.

Inventories -- Inventories are valued at the lower of cost or market on a first-in, first-out (FIFO) basis and consist primarily of finished goods including cylinders, cylinder valves, grills, patio heaters, mosquito eliminators, fireplace accessories, and garden products. The Company maintains reserves for obsolete inventories. Specific reserves are established based on an evaluation of the inventory to determine if cost exceeds market value. General reserves are established based on markdowns applied to excess or aged inventories.

Cylinders, Net -- Cylinders are stated at cost and depreciated on a straight-line basis over their estimated useful lives of twenty-five years. Cylinders include the cost of proprietary valves. The proprietary valves are depreciated on a straight-line basis over their estimated useful lives of twelve years. Depreciation expense for the years ended July 31, 2003, 2002, and 2001 was $2,618, $2,126 and $1,434, respectively.

Capitalized Software Development Costs -- Certain development costs for internal use software are capitalized when incurred. Capitalization of software development costs begins upon the establishment of technological feasibility and ceases when the product is ready for release. Software development costs are amortized on a straight-line basis over the expected life of the product estimated at three years. Capitalized software development costs were $1,785, $560 and $583 for the years ended July 31, 2003, 2002 and 2001, respectively. At July 31, 2003 and 2002, total capitalized costs were $4,144 and $2,359 and accumulated amortization was $2,308 and $1,419, respectively.

Property, Plant and Equipment, Net -- Property, plant and equipment are stated at cost. Depreciation and amortization are provided for using the straight-line method over estimated useful lives ranging from 3 to 10 years for cylinder displays, 3 to 5 years for computer hardware and software, and 5 to 30 years for building and equipment.

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For assets held and used, an impairment charge is recognized if projected undiscounted cash flows are not adequate to cover the carrying value of the assets. For assets held for disposal, an impairment charge is recognized if the carrying value of the assets exceeds the fair value less costs to sell.

Goodwill and other Intangibles, Net -- In June 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 141, Business Combinations, and No. 142, Goodwill and Other Intangible Assets, effective for fiscal years beginning after December 15, 2001. Under the new rules, goodwill (and intangible assets deemed to have indefinite lives) will no longer be amortized but will be subject to annual impairment tests in accordance with the Statements. Our annual measurement date is February 1. The Company applied the new rules on accounting for goodwill and other intangible assets beginning in the first quarter of fiscal year 2002. There was no impairment of goodwill upon adoption of SFAS 142. The Company is required to perform goodwill impairment tests on an annual basis and between annual tests in certain circumstances. The Company cannot be sure that future goodwill impairment tests will not result in a charge to earnings. Patents and other intellectual property are amortized over their estimated useful lives. Non-compete agreements are amortized using the straight-line method over the life of the agreements, which is generally three years.

Financial Instruments -- Financial instruments consist of cash and cash equivalents, accounts receivable, advances, notes receivable, short-term and long-term debt and derivatives. The Company considers all highly liquid investments with an original maturity of three months or less at the date of purchase to be cash equivalents. At July 31, 2003 and 2002 the carrying amounts of the Company's financial instruments approximated their fair values.

The Company uses derivative financial instruments to manage exposure to fluctuations in interest rates on its variable rate debt (Note 14). An interest rate swap agreement is a contract to exchange floating rate for fixed interest payments periodically over the life of the agreement without the exchange of the underlying notional amount. The notional amount of the swap agreement is used to measure interest to be paid or received and does not represent the amount of exposure to credit loss. The differential paid or received under the interest rate swap agreement is recognized as an adjustment to interest expense.

The Company uses derivative financial instruments in the form of swaps and collars to hedge against fluctuations in the propane price component of its distributor payments and in the price of propane purchases at company-owned distributors (Note 14). The differential paid or received under the agreements is recognized as an adjustment to cost of sales.

Comprehensive income -- Comprehensive income includes net income and certain financial statement components, such as net unrealized holding gains or losses, cumulative translation adjustments, and income or loss on derivative instruments. The Company reports accumulated other comprehensive income in the Consolidated Statement of Stockholders' Equity.

Advertising and Promotion -- The Company expenses advertising and promotion costs as incurred and these costs are included as selling, general and administrative expenses. Advertising and promotion costs for the years ended July 31, 2003, 2002 and 2001 were $145, $262 and $392, respectively. Cooperative advertising expenses are classified as a reduction of revenue.

Self-Insurance -- The Company is self-insured for a portion of losses relating to worker's compensation, automobile, and product liability claims. Claims filed and claims incurred but not reported are accrued based upon management's estimates of the aggregate liability for claims using insurance data and historical experience.

Income Taxes -- Deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. A valuation allowance is recorded when it is more likely than not that some portion or all of the deferred tax asset will not be realized.

Stock-Based Compensation -- The Company accounts for the 1994 Stock Incentive Plan, the 1998 Stock Incentive Plan and the Director Option Plan in accordance with the provisions of Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees ("APB 25") (Note 15). Under APB 25, no compensation expense is recognized for stock options issued with an exercise price equivalent to the fair value of the Company's common stock on the date of grant. In general, stock options and other equity instruments granted or issued under the Distributor Stock Option Plan are accounted for in accordance with Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation ("SFAS 123"). For companies that continue to account for stock-based compensation arrangements under APB 25, SFAS 123 requires disclosure of the pro forma effect on net income (loss) as if the fair value based method prescribed by SFAS 123 had been applied. The Company has adopted the pro forma disclosure requirements of SFAS 123.

Had compensation expense for the 1994 Stock Incentive Plan, the 1998 Stock Incentive Plan or the Director Option Plan been determined for options granted since August 1, 1995 in accordance with SFAS No. 123, the Company's pro forma net income/(loss) and earnings/(loss) per share for the years ended July 31, 2003, 2002 and 2001 would have been as follows:

	2003	2002	2001
Net income (loss) available for common stockholders:			
As reported	$ 16,459	$ 8,026	$ (4,722)
Pro forma	$ 13,212	$ 6,636	$ (5,952)
Earnings (loss) per common share:			
Basic:			
As reported	$ 1.00	$ 0.63	$ (0.41)
Pro forma	$ 0.80	$ 0.52	$ (0.51)
Diluted:			
As reported	$ 0.86	$ 0.55	$ (0.41)
Pro forma	$ 0.69	$ 0.45	$ (0.51)

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions used for all grants: expected lives ranging from five to six years; expected volatility ranging from 30% to 91%; expected dividends of zero and a risk-free interest rate ranging from 1.1% to 5.8%.

Use of Estimates -- The preparation of the consolidated 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 at the dates of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ materially from these estimates.

Reclassification -- Certain prior year amounts have been reclassified to conform to the presentation adopted in fiscal 2003.

Recent Accounting Pronouncements -- In August 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard ("SFAS") No. 143, Accounting for Asset Retirement Obligations. The Statement requires entities to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred. As required by SFAS No. 143, the Company adopted this new accounting standard for fiscal year 2003. The adoption of SFAS No. 143 did not have a material impact on the Company's consolidated results of operations or financial position.

In October 2001, the FASB issued SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. This Statement establishes a single accounting model for the impairment or disposal of long-lived assets. As required by SFAS No. 144, the Company adopted this new accounting standard for fiscal year 2003. The adoption of SFAS No. 144 did not have a material impact on the Company's consolidated results of operations or financial position.

In April 2002, the FASB issued SFAS No. 145, Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections. This Statement eliminates an inconsistency between the required accounting for sale-leaseback transactions and the required accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions and establishes that gains and losses from extinguishment of debt should be classified as extraordinary items only if they meet the criteria for treatment as extraordinary. The Company adopted this standard for fiscal year 2003. The adoption of SFAS No. 145 did not have a material impact on the Company's consolidated results of operations or financial position.

In June 2002, the FASB issued SFAS No. 146, Accounting for Costs Associated with Exit or Disposal Activities. This Statement requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. SFAS No. 146 also establishes that fair value is the objective for initial measurement of the liability. The Company adopted this standard for fiscal year 2003. The adoption of SFAS No. 146 did not have a

material impact on the Company's consolidated results of operations or financial position.

In December 2002, the FASB issued SFAS No. 148, Accounting for Stock-Based Compensation - Transition and Disclosure. SFAS No. 148 amends SFAS No. 123, Accounting for Stock-Based Compensation, to provide alternative methods of transition to SFAS No. 123's fair value method of accounting for stock-based employee compensation. SFAS No. 148 also amends the disclosure provisions in SFAS No. 123 and Accounting Principles Board Opinion No. 28, Interim Financial Reporting, to require disclosure in the summary of significant accounting policies of the effects of an entity's accounting policy with respect to stock-based employee compensation on reported net income and earnings per share in annual and interim financial statements. The Company adopted the interim financial reporting for interim periods beginning after December 15, 2002. The adoption of SFAS No. 148 did not have a significant impact on the Company's consolidated results of operations or financial position.

In April 2003, the FASB issued SFAS No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities. SFAS No. 149 amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133. In particular, this Statement clarifies under what circumstances a contract with an initial net investment meets the characteristic of a derivative and when a derivative contains a financing component that warrants special reporting in the statement of cash flows. The Company adopted this standard for contracts entered into or modified after June 30, 2003. The adoption of SFAS No. 149 did not have a significant impact on the Company's consolidated results of operations or financial position.

In May 2003, the FASB issued SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity. This Statement requires certain financial instruments that embody obligations of the issuer and have characteristics of both liabilities and equity to be classified as liabilities. The Company adopted this standard for financial instruments entered into or modified after May 31, 2003. The adoption of SFAS No. 150 did not have a significant impact on the Company's consolidated results of operations or financial position.

In January 2003, the FASB issued Interpretation No. 46 ("FIN 46"), Consolidation of Variable Interest Entities, which addresses the consolidation of business enterprises (variable interest entities), to which the usual condition of consolidation, a controlling financial interest, does not apply. FIN 46 requires an entity to assess its business relationships to determine if they are variable interest entities. As defined in FIN 46, variable interests are contractual, ownership or other interests in an entity that change with changes in the entity's net asset value. Variable interests in an entity may arise from financial instruments, service contracts, guarantees, leases or other arrangements with the variable interest entity. An entity that will absorb a majority of the variable interest entity's expected losses or expected residual returns, as defined in FIN 46, is considered the primary beneficiary of the variable interest entity. The primary beneficiary must include the variable interest entity's assets, liabilities and results of operations in its consolidated financial statements. FIN 46 is immediately effective for all variable interest entities created after January 31, 2003. For variable interest entities created prior to this date, the provisions of FIN 46 were originally required to be applied no later than the Company's first quarter of Fiscal 2004. On October 8, 2003, the FASB issued FASB Staff Position (FSP) FIN 46-6, Effective Date of FASB Interpretation No. 46, Consolidation of Variable Interest Entities. The FSP provides a limited deferral (until the end of the Company's second quarter of 2004) of the effective date of FIN 46 for certain interests of a public entity in a variable interest entity or a potential variable interest entity. The Company will continue to evaluate FIN 46, but due to the complex nature of the analysis required by FIN 46 has not determined the impact on its consolidated results of operations or financial position.

3. Concentration of Credit Risk

The Company's cash and cash equivalents are held by high-quality financial institutions, thereby reducing credit risk concentrations. Due to the geographic dispersion and the high credit quality of the Company's significant customers, credit risk relating to accounts receivable is limited. The Company performs ongoing credit evaluations of its customers' financial condition and, generally, does not require collateral on accounts receivable. The Company's three largest customers accounted for a total of approximately 65%, 59%, and 54% of net revenues in the years ended July 31, 2003, 2002 and 2001, respectively, as follows:

	2003	2002	2001
Wal-Mart	36%	32%	26%
Home Depot	18	18	19
Lowe's Companies	11	9	9
Total	65%	59%	54%

The Company's revenues with Home Depot and Lowe's are predominantly in the cylinder exchange segment while revenues with Wal Mart occur in both the cylinder exchange and products segments. Approximately 58% and 47% of the Company's aggregate accounts receivable at July 31, 2003 and 2002, respectively, were from these customers. If the financial condition or operations of these customers deteriorate, the Company's operating results could be adversely affected.

4. Cylinders, net

The Company owns propane cylinders and cylinder displays. The Company is responsible for the cost of refurbishing cylinders obtained from consumers in exchange transactions. The Company currently offers three types of cylinder transactions: (i) like-for-like cylinder exchanges; (ii) cylinder exchanges with valve upgrades offering additional safety features; and (iii) filled cylinder sales. The refurbishment cost of all three types of cylinder transactions, the valve cost associated with upgrade transactions, and the cylinder cost associated with sale transactions are expensed as part of cost of goods sold. As cylinder inventories are depleted by sale transactions, they are generally replaced by purchasing new cylinders.

Cylinder cost as of July 31, 2003 and 2002 was $47,318 and $30,781, respectively, with accumulated depreciation of $5,175 and $3,474, respectively. As of July 31, 2003 and 2002, cylinder cost included the cost of proprietary valves of $11,008 and $11,008, respectively, with accumulated depreciation of $2,234 and $1,317, respectively.

Significant portions of cylinders and displays are leased to independent distributors under operating lease agreements for use within each distributor's territory (Note 6). Under these lease agreements, independent distributors are obligated to refurbish cylinders into like-new condition and, in the event of loss or damage, to repair or replace the cylinders. In addition, the distributor (lessee) is obligated to pay for all maintenance, installation, deinstallation, taxes and insurance related to the cylinders. The leases continue until either party terminates upon 60 days written notice the other party.

As of July 31, 2003 and 2002, the costs of cylinders under lease were $22,236 and $30,781, respectively, with accumulated depreciation of $2,400 and $3,474, respectively. Lease income for cylinders for the years ended July 31, 2003, 2002 and 2001 was $1,785, $2,865 and $2,957, respectively. As of July 31, 2003, estimated future minimum rental payments to be received are approximately $1,205 per year through the year 2008.

5. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consists of the following at July 31:

	2003	2002
Advances	$ 1	$ 991
Prepaid expenses and other receivables	5,561	1,782
Propane derivative	1,365	307
Notes receivable	128	1
	$7,055	$3,081

6. Property, Plant and Equipment, Net

Property, plant and equipment consists of the following at July 31:

	2003	2002
Land	$ 178	$ 178
Building and leasehold improvements	4,442	3,526
Cylinder displays, including panel graphics	31,429	26,894
Vehicles	1,843	589
Machinery and equipment	8,083	6,578
Furniture & fixtures	432	283
Computer hardware and software	11,063	8,337
Equipment leased under capital leases	750	411
Construction in progress	1,945	-
	60,165	46,796
Less accumulated depreciation and amortization (including $174 and $135 as of July 31, 2003 and 2002, respectively, for equipment under capital leases)	(22,400)	(16,319)
	$37,765	$30,477

Depreciation and amortization expense for the years ended July 31, 2003, 2002 and 2001 was $6,495, $5,453 and $4,384, respectively.

The Company enters into operating lease agreements with its independent distributors for cylinder displays for use within each distributor's territory. Under these leases, the distributor (lessee) is obligated to pay for all maintenance, installation, deinstallation, taxes and insurance related to the cylinder displays. The lessee bears all risk of loss and damage to the displays and, in the event of loss or damage, is required to repair or replace the displays. The leases continue until either party terminates upon 60 days written notice to the other party. As of July 31, 2003 and 2002, the costs of cylinder displays under lease were $15,957 and $24,573, respectively, with accumulated depreciation of $5,578 and $7,538, respectively. Lease income for cylinder displays for the years ended July 31, 2003, 2002 and 2001 was $1,050, $1,646 and $1,685, respectively. As of July 31, 2003, estimated future minimum rental payments to be received are approximately $882 per year through the year 2008.

Effective September 30, 2001, the Company entered into a sale and leaseback transaction with R4 Tech. The Company purchased all of the land, buildings and equipment associated with the propane bottling and cylinder refurbishing operation. The assets were purchased for $7,599. The purchase price was used to repay outstanding advances to R4 Tech. Simultaneously, R4 Tech leased the land, buildings, and equipment from the Company under the terms of a three-year operating lease agreement. Under this agreement, R4 Tech pays Blue Rhino a ten percent annual rate based on the value of all leased equipment. Lease income for the years ended July 31, 2003 and 2002 was $196 and $640, respectively. As a result of the acquisition of Platinum, the Company increased its ownership interest in R4 Tech (Note 11) on a consolidated basis by 1% to 50%. The Company consolidated the results of R4 Tech beginning in the second quarter of fiscal 2003 as a result of its increased ownership and financial control, therefore the lease payments are eliminated in consolidation.

Land, buildings and equipment leased to R4 Tech consisted of the following at July 31, 2003 and 2002:

	2003	2002
Land	$ 158	$ 158
Buildings	2,921	2,775
Equipment	5,173	4,837
	8,252	7,770
Accumulated depreciation	(939)	(418)
	$7,313	$7,352

7. Goodwill and other intangibles, Net

Intangibles consist of the following at July 31:

	2003	2002
Goodwill	$64,852	$33,867
Patents and trademarks	1,421	1,409
Non-compete agreements	1,029	1,002
	67,302	36,278
Accumulated amortization	(4,440)	(4,290)
	$62,862	$31,988

Amortization expense for the years ended July 31, 2003, 2002 and 2001 was $148, $309, and $2,644, respectively. As of July 31, 2003, the estimated aggregate amortization expense for each of the five succeeding fiscal years is $114 in 2004, $81 in 2005, $71 in 2006, $71 in 2007 and $67 in 2008.

In June 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 141, Business Combinations, and No. 142, Goodwill and Other Intangible Assets, effective for fiscal years beginning after December 15, 2001. Under the new rules, goodwill (and intangible assets deemed to have indefinite lives) will no longer be amortized but will be subject to impairment tests on at least an annual basis (and more often in certain circumstances) in accordance with the Statements. Other intangible assets will continue to be amortized over their useful lives.

The Company applied the new rules for accounting for goodwill and other intangible assets beginning in the first quarter of fiscal 2002. In accordance with the requirements of SFAS 142, the Company has identified three reporting units: the cylinder exchange segment, the products group and QuickShip. The forecasts, valuations and impairment analyses under the Statement were made at these reporting unit levels. The fair values of the cylinder exchange segment and the products group were based on discounted cash flow projections over ten fiscal years. The Company projected positive cash flows for cylinder exchange and the products group in all periods. The valuations indicated that the fair value of the reporting units exceeded the carrying value of the reporting units by a substantial margin.

Negative indicators have existed for QuickShip, including operating losses and negative cash flows. As a result, management deemed it appropriate to obtain an independent valuation of QuickShip to determine if goodwill impairment existed as of August 1, 2001. The valuation was based on projected cash flows over ten fiscal years with significant growth in the number of locations and revenue assumed in years three through seven. Capital expenditures range from $100 to $750 each year. The valuation uses a discount rate of 25%. The independent valuation concluded that the fair value of QuickShip exceeded its carrying value at August 1, 2001. Since that date, the Company has updated the valuation on a quarterly basis using revised assumptions of cash flow in the future years based upon the Company's most recent business plan, which shows near breakeven cash flows in year three with steadily increasing cash flows in years four through ten. Each of the revised valuations also concluded that there was no impairment of the $6.3 million in goodwill for QuickShip.

Based on the foregoing, the Company determined there to be no impairment of goodwill. Future goodwill impairment tests may, however, result in a charge to earnings.

The following table presents the impact of SFAS 142 on net income (loss) and net income (loss) per share for the years ended July 31, 2003 and 2002 and, assuming SFAS 142 had then been in effect, for the year ended July 31, 2001 (in thousands, except per share amounts):

	2003	2002	2001
Reported income (loss) available to common stockholders	$16,459	$ 8,026	$(4,722)
Adjustments:			
Amortization of goodwill	-	-	2,268
Adjusted income (loss) available to common stockholders	$16,459	$ 8,026	$(2,454)
Reported basic income (loss) per common share	$ 1.00	$ 0.63	$ (0.41)
Reported diluted income (loss) per common share	$ 0.86	$ 0.55	$ (0.41)
Adjusted basic income (loss) per common share	$ 1.00	$ 0.63	$ (0.21)
Adjusted diluted income (loss) per common share	$ 0.86	$ 0.55	$ (0.21)

8. Long-Term Debt and Capital Lease Obligations

Long-term debt and capital leases consist of the following at July 31:

	2003	2002
Bank credit facility		
Revolving line of credit	$36,000	$26,643
Term loan	10,900	-
Subordinated debt	-	15,000
Discount on subordinated debt	-	(2,666)
Acquisition notes payable	158	655
Capital lease obligations bearing interest at various rates from 3.2% to 12.6%	655	113
Other	1,520	1,527
	49,233	41,272
Less amounts due within one year	6,433	2,013
	$42,800	$39,259

The aggregate maturities of long-term debt and capital lease obligations at July 31, 2003 are as follows:

	Long-Term Debt	Capital Lease Obligations	Total
2004	$ 6,214	$263	$ 6,477
2005	5,792	277	6,069
2006	36,429	132	36,561
2007	24	19	43
2008	9	15	24
Thereafter	110	9	119
	48,578	715	49,293
Less imputed interest	-	(60)	(60)
	$48,578	$655	$49,233

On November 20, 2002, the Company completed the syndication of a new and expanded bank credit facility (the "Credit Facility"). The Credit Facility consists of a $45,000 revolving line of credit and a $15,000 term loan, both for general corporate purposes, inclusive of payments made under letters of credit. The Company has outstanding letters of credit of $605 and $1,093 as of July 31, 2003 and 2002, respectively. The Credit Facility has a maturity date of November 30, 2005 and, as amended, requires the Company to utilize the approximately $14,900 in net proceeds from a private placement of common stock completed December 20, 2002 to repay the term loan or its subordinated debt, in such proportion as the Company elects, by July 31, 2003. In the third and fourth quarters of fiscal 2003, the Company repaid the entire $15,000 of the subordinated debt and incurred a $2,589 non-cash charge that was reflected in interest expense. Advances under the Credit Facility are collateralized by a lien on substantially all of the Company's assets.

Advances under the Credit Facility may be made as either base rate ("prime rate") loans or London Interbank Offered Rate ("LIBOR") loans at the Company's election. Interest rates are based upon either the LIBOR or prime rate plus an applicable margin dependent upon a total leverage ratio. The applicable LIBOR margins range from 200 to 300 basis points, and the applicable prime rate margins range from 50 to 150 basis points. The Company incurred fees of $1,320 in connection with the Credit Facility. The fees will be amortized over the life of the Credit Facility, through November 30, 2005. The Company incurred a charge of $96 in November 2002 resulting from unamortized fees related to its prior credit facility. On July 31, 2003 the Company had $46,400 (including a $10,900 balance on the term loan) in LIBOR loans outstanding at a weighted-average interest rate of 3.85% and $500 in prime rate loans outstanding at a weighted-average interest rate of 5.25%.

Principal payments on the outstanding term loan began on December 31, 2002 and continue quarterly until September 30, 2005. The initial principal payments are $1,000 per calendar quarter beginning December 31, 2002, will increase to $1,250 per calendar quarter beginning December 31, 2003 and will further increase to $1,500 per calendar quarter beginning December 31, 2004. In accordance with the terms of the Credit Facility, $1,100 of the net proceeds of the March 2003 litigation settlement (Note 20) were applied against the term loan as a reduction. The Credit Facility includes a .50% commitment fee on the average daily unused amount for each fiscal quarter. The Credit Facility requires the Company to meet certain covenants, including minimum net worth and cash flow requirements, restricts the payment of cash dividends and permits early extinguishment of up to $15,000 of the Company's subordinated debt.

The Company was party to an interest rate swap agreement with a notional amount of $10,000 that expired in July 2003. Under that agreement, the Company paid a fixed rate of 7.36% and received a rate equivalent to the thirty-day LIBOR, adjusted quarterly. In May 2003, the Company entered into a new swap agreement with an effective date of August 1, 2003 and an expiration date of October 3, 2005. The initial notional amount is $20,000 beginning August 1, 2003, will decrease to $15,000 on June 1, 2004, will decrease to $10,000 on March 1, 2005 and will further decrease to $5,000 on September 1, 2005. Under the new swap agreement, the Company will pay a fixed rate of 1.85% and receive a rate equivalent to the thirty-day LIBOR, adjusted monthly.

On June 15, 2001, the Company completed a $15,000 private placement of subordinated debt to an institutional investor. The debenture carried interest at the annual rate of 13%, payable quarterly. The principal balance was scheduled to mature on August 31, 2006, but was prepaid in full during the third and fourth quarters of fiscal 2003. In addition, the Company issued a warrant to the investor to purchase 1,372,071 shares of common stock, with an exercise price of $3.8685 per share (subject to adjustment for organic changes in its common stock and for certain future issuances below the then-existing exercise price) valued at $3,440. The warrant was converted by the investor into 1,070 shares of common stock effective January 6, 2003.

Interest expense included the non-cash amortization of debt issuance costs for the years ended July 31, 2003, 2002 and 2001 of $780, $304 and $192, respectively.

Other includes obligations bearing interest at various rates between 3.50% and 11.50%.

9. Other, net

The Company had certain non-operating income and expenses classified as other, net during the years ended July 31, 2003, 2002 and 2001 as follows:

	2003	2002	2001
Interest income	$ (141)	$(512)	$(553)
Miscellaneous (income) expense	(165)	(15)	201
Loss on disposal of assets	258	105	51
Litigation proceeds, net	(2,465)	--	--
	$(2,513)	$(422)	$(301)

10. Income Taxes

The components of the provision for income taxes for the years ended July 31, 2003, 2002 and 2001 are as follows:

	2003	2002	2001
Current:			
State	$ 60	$ 47	$ 123
Total current	60	47	123
Deferred:			
Federal	$1,801	-	-
State	356	-	-
Total deferred	2,157	-	-
Total income tax provision	$2,217	$ 47	$ 123

A reconciliation of the differences between the statutory federal income tax rate and the effective tax rate for the years ended July 31, 2003, 2002 and 2001 is as follows:

	2003	2002	2001
Federal statutory tax rate	35.0%	34.0%	(34.0)%
Change in valuation allowance	(27.7)	(34.4)	32.5
Permanent differences and other	.2	.4	2.5
State taxes net of federal benefit	4.3	.5	2.2
Effective tax rate	11.8%	.5%	3.2%

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liability are as follows:

	2003	2002	2001
Assets:			
Net operating loss carryforward	$16,489	$11,583	$13,884
Allowance for doubtful accounts	370	1,540	1,042
Distributor option plan	346	289	205
Deferred loss on joint venture	30	(430)	529
Accrued expenses	765	327	531
Reserves and other	1,255	661	591
Total gross deferred tax assets	19,255	13,970	16,782
Valuation allowance	(149)	(5,606)	(8,616)
Net deferred tax assets	$19,106	$ 8,364	$ 8,166
Liability:			
Depreciation and amortization	21,072	8,364	8,166
Total gross deferred tax liabilities	$21,072	$8,364	$ 8,166

As of July 31, 2003, the Company has recorded a valuation reserve for deferred tax assets of $149 related to state operating losses. This reserve was established in accordance with Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes, as it is management's opinion that it is more likely than not that some portion of these benefits may not be realized. The net change in the valuation allowance for the year ended July 31, 2003 was a decrease of $5,457. At July 31, 2003, federal net operating losses of approximately $42,000 may expire beginning in year 2010 and state net operating losses of approximately $33,000 may expire beginning in year 2010 if unused. The utilization of the net operating losses will be subject to certain limitations as prescribed by Section 382 of the Internal Revenue Code.

11. Investment in Joint Venture

As a result of the acquisition of Platinum, the Company increased its ownership interest in R4 Technical Center - North Carolina, LLC ("R4 Tech") on a consolidated basis by 1% to 50%. The Company consolidated the results of R4 Tech beginning in the second quarter of fiscal 2003 as a result of its increased ownership and financial control. R4 Tech began operations in May 2000 and was accounted for under the equity method of accounting through the first quarter of fiscal 2003. During the first quarter of fiscal 2003, the Company recognized 100% of the loss of R4 Tech as a result of advances made without a corresponding advance from the other joint venture partners. The Company recognized its portion of the loss in the joint venture for the period ended July 31, 2003, 2002 and 2001 of $455, $714 and $2,572, respectively. At July 31, 2002, the Company had advances outstanding to R4 Tech of $141 and payables to R4 Tech of $1,755.

Summary financial information for R4 Tech as of and for the periods ended July 31, 2002 and 2001 is as follows:

	2002	2001
Current assets	$ 2,323	$ 1,496
Property, plant, and equipment and other assets	1	7,617
Current liabilities	2,895	8,162
Long-term debt	--	22
Net sales	12,697	9,910
Gross loss	(260)	(3,802)
Net loss	(1,449)	(5,250)

12. Nonrecurring Item

During the year ended July 31, 2001, the Company incurred a charge of $449 related to costs incurred in connection with refinancing its bank credit facility.

13. Earnings (Loss) Per Share:

The following table sets forth a reconciliation of the numerators and denominators in computing earnings (loss) per common share in accordance with Statement of Financial Accounting Standards No. 128.

	2003	2002	2001
Net income (loss)	$16,530	$ 9,815	$ (3,952)
Less: Preferred stock dividends	71	1,789	770
Income (loss) available to common stockholders	$16,459	$ 8,026	$ (4,722)
Income (loss) available to common stockholders	$16,459	$ 8,026	$ (4,722)
Weighted average number of common shares outstanding (in thousands)	16,430	12,658	11,641
Basic earnings (loss) per common share	$ 1.00	$ 0.63	$ (0.41)
Income (loss) available to common stockholders	$16,459	$ 8,026	$ (4,722)
Weighted average number of common shares outstanding (in thousands)	16,430	12,658	11,641
Effect of potentially dilutive securities (in thousands):			
Common stock options	1,671	890	--
Common stock warrants	1,138	1,153	--
Weighted average number of common shares outstanding assuming dilution	19,239	14,701	11,641
Diluted earnings (loss) per common share	$ 0.86	$ 0.55	$ (0.41)

Common stock options and common stock warrants listed below for the years ended July 31, 2003 and 2002 were not included in the computation of diluted earnings per share because the exercise prices are greater than the average market price of the Company's common stock and the effect would be anti-dilutive. Common stock options and common stock warrants listed below for the year ended July 31, 2001 have been excluded from the computation of diluted loss per share because they were anti-dilutive.

	2003	2002	2001
Common stock options	990,750	1,023,047	2,467,893
Common stock warrants	330,000	284,063	2,935,704

14. Derivative Instruments

Effective August 1, 2000, the Company adopted Statement of Financial Accounting Standard No. 133, Accounting for Derivative Instruments and Hedging Activities ("SFAS 133") which establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities. All derivatives, whether designated in hedging relationships or not, are required to be recorded on the balance sheet at fair value. If the derivative is designated as a fair value hedge, the changes in the fair value of the derivative and of the hedged item attributable to the hedged risk are recognized in earnings. If the derivative is designated as a cash flow hedge, the effective portions of changes in the fair value of the derivative are recorded in other comprehensive income ("OCI") and are recognized in the income statement when the hedged item affects earnings. Ineffective portions of changes in the fair value of cash flow hedges are recognized in earnings. The cumulative effect of the adoption of SFAS 133 resulted in a reduction to OCI of $131 for fiscal 2001.

The Company uses derivative instruments, which are designated as cash flow hedges, to manage exposure to interest rate fluctuations and wholesale propane price volatility. The Company's objective for holding derivatives is to minimize risks by using the most effective methods to eliminate or reduce the impacts of these exposures.

In July 2000, the Company entered into an interest rate swap agreement ("2000 Swap"), as required under its former bank credit facility, with a notional amount of $10,000 as a cash flow hedge of the variable interest rate debt outstanding under its credit facility. Under the 2000 Swap agreement, which expired in July 2003, the Company paid a fixed rate of 7.36% and received a rate equivalent to the thirty-day London Interbank Offered Rate ("LIBOR"), adjusted quarterly. The 2000 Swap was designated as a hedge of the benchmark interest rate. In November 2002, the Company completed the syndication of a new and expanded bank credit facility (the "Credit Facility"). Advances under the Credit Facility may be made as either base rate ("prime rate") loans or LIBOR loans at the Company's election. Applicable interest rates are based upon either the LIBOR or prime rate plus an applicable margin dependent upon a total leverage ratio. As a result of the 2000 Swap, there was a $588, $498 and a $154 charge to interest expense for the effective portion of the hedge during the years ended July 31, 2003, 2002 and 2001, respectively. Hedge ineffectiveness, determined in accordance with SFAS 133, resulted in a ($27) and a ($1) credit to other income during the years ended July 31, 2003 and 2002, respectively, and a $12 charge to other expense during the year ended July 31, 2001. The fair value of the 2000 Swap at July 31, 2002 was ($551).

In May 2003, the Company entered into a new swap agreement ("2003 Swap"), as required under the Credit Facility, with an effective date of August 1, 2003 and an expiration date of October 3, 2005. The initial notional amount is $20,000 beginning August 1, 2003, will decrease to $15,000 on June 1, 2004, will decrease to $10,000 on March 1, 2005 and will further decrease to $5,000 on September 1, 2005. Under the 2003 Swap agreement, the Company will pay a fixed rate of 1.85% and receive a rate equivalent to the thirty-day LIBOR, adjusted monthly. On July 31, 2003 the Company had $46,400 in thirty-day LIBOR loans outstanding.

Effective March 1, 2001, the Company restructured its payment obligations to independent distributors such that each payment includes a fixed component and a variable component based on the price of propane. Beginning in March 2001, the Company entered into various derivative instruments as cash flow hedges against fluctuations in the propane price component of the distributor payments. The Company acquired the Platinum and Ark distributor entities in November 2002 (Note 17). As a result of the acquisition, approximately 45% of the payments made each month for the variable propane price component were eliminated. However, Platinum and Ark purchase a significant amount of propane based on the Mt. Belvieu underlying (the same basis used for the Company's propane swaps). Therefore, the propane swaps effectively hedge the variable propane price component to independent distributors and the purchases made based on Mt. Belvieu prices by company-owned distributors. The Company currently expects that the derivative instruments will hedge, in the aggregate, approximately 65% to 75% of the Company's anticipated monthly cylinder exchange volume during fiscal year 2004. At this level, substantially all of the Company's fixed prices with its major retailers will be hedged. As a result of the propane derivative instruments, there was a ($3,996) credit to cost of sales for the effective portion of the hedge during the year ended July 31, 2003 and a $2,064 and a $235 charge to cost of sales for the effective portion of the hedge during the years ended July 31, 2002 and 2001, respectively. Hedge ineffectiveness, determined in accordance with SFAS 133, had no impact on earnings for the twelve-month periods ended July 31, 2003, 2002 and 2001, respectively. The fair value of the derivative at July 31, 2003 and 2002 was $1,365 and $515, respectively, and it is reflected on the balance sheet at July 31, 2003 as a $1,365 current asset in prepaid expenses and other current assets.

The net derivative loss recorded in OCI will be reclassified into earnings over the term of the underlying cash flow hedges. The amount that will be reclassified into earnings will vary depending upon the movement of the underlying interest rates and propane prices. As interest rates and propane prices decrease, the charge to earnings will increase. Conversely, as interest rates and propane prices increase, the charge to earnings will decrease.

The following is a rollforward of the components of OCI for the years ended July 31, 2003, 2002 and 2001:

	2003	2002	2001
Beginning balance deferred in OCI	$ (26)	$(1,102)	$ --
Transition adjustment from adoption of SFAS 133	--	--	(131)
Net change associated with current period hedge transactions, net of tax of ($533), $0 and $0 in fiscal 2003, 2002 and 2001, respectively	4,275	(1,485)	(1,372)
Net amount reclassified into earnings during the year	(3,435)	2,561	401
Ending balance deferred in OCI	$ 814	$ (26)	$(1,102)

Total comprehensive income (loss) was $17,370, $10,891 and ($5,054) for the years ended July 31, 2003, 2002 and 2001, respectively.

15. Stockholders' Equity

Common Stock Placements

On December 20, 2002, the Company completed a private placement of 1.0 million shares of its common stock at a purchase price of $15.79 per share to two institutional investors for gross proceeds of $15,800. In conjunction with the private placement, the Company issued Additional Investment Rights to the investors exercisable for, collectively, up to an additional 330,000 shares of its common stock at an exercise price of $15.79 per share. The Additional Investment Rights were never exercised and expired on October 1, 2003. The net proceeds from the financing were used to pay down long-term debt.

On April 19, 2002, the Company completed the sale of 1.5 million shares of common stock for $10.875 million in a private placement through SunTrust Robinson Humphrey Capital Markets, as Placement Agent, to selected institutional and individual investors at a price of $7.25 per share. The net proceeds from the financing were used to pay down the Credit Facility.

Preferred Stock

On September 7, 2000 (the "Closing Date") the Company completed a private placement of 1,716,667 shares of its Series A Convertible Preferred Stock to two institutional investors under common management and three individuals, including Billy D. Prim, its Chairman, Chief Executive Officer and President, and Andrew J. Filipowski, its Vice Chairman, for an aggregate purchase price of approximately $10,300. Messrs. Prim and Filipowski invested $50 and $250 for 8,333 and 41,667 shares of Series A Convertible Preferred Stock, respectively. In addition, on October 26, 2000, the Company issued 1,133,333 shares of Series A Convertible Preferred Stock for an aggregate purchase price of $6,800 in connection with its acquisition of QuickShip (Note 17).

In connection with the issuance of 1,716,667 shares of Series A Convertible Preferred Stock, the Company paid William Blair & Co. a placement fee of $500 in cash and issued a five-year warrant to purchase 16,667 shares of common stock at an exercise price of $6.00 per share.

The Series A Convertible Preferred Stock accrued a cumulative dividend on the 20th day of December, March, June, and September of each year based on an annual rate of 5% through September 7, 2003; 12% from September 8, 2003 through September 7, 2004; and 15% thereafter. Effective September 7, 2001, the annual dividend rate increased to 15% because a registration statement covering the shares of common stock into which the Series A Convertible Preferred Stock is convertible was not yet effective. The 15% rate continued until the registration statement became effective on April 8, 2002. As of July 31, 2003 and 2002, the Company had accrued dividends on the outstanding shares of Series A Convertible Preferred Stock of $0 and $1.7 million, respectively. During March, April, May and September 2002, the holders of all 2,850,000 shares of Series A Convertible Preferred Stock converted such shares into 2,850,000 shares of common stock. Prior to conversion, the shares of Series A Convertible Preferred Stock accrued a cumulative dividend that the Company satisfied, as permitted by the terms of the Series A Convertible Preferred Stock, by issuing an aggregate of 233,611 shares of common stock to the holders of the Series A Convertible Preferred Stock upon conversion.

Stock Compensation Plans

The Company has three active stock-based compensation plans (the "Plans") for outside directors, officers and certain employees to receive stock options and other equity-based awards. Under the Plans, the Company may, at its discretion, issue incentive or non-qualified stock options, stock appreciation rights, restricted stock or deferred stock.

Stock options generally are granted with an exercise price equal to 100% of the market value per share of the common stock on the date of grant. The options vest over one to five years and expire ten years from the date of grant. The terms and conditions of the awards made under the plans vary but, in general, are at the discretion of the board of directors or its appointed committee. Under the Plans the Company has reserved 5,017,709 shares of common stock for use and distribution under the terms of the Plans.

The Company also has a Distributor Stock Option Plan (the "Distributor Option Plan") for Blue Rhino distributors and their stockholders, partners, members, directors, general partners, managers, officers, employees and consultants. The Company has reserved 400,000 shares of common stock for issuance upon the exercise of options granted under the Distributor Option Plan. Options issued under the Distributor Option Plan vest ratably over four years and expire ten years from the date of grant. For the years ended July 31, 2003, 2002 and 2001, the Company recognized compensation expense included in cost of sales of approximately $125, $111 and $180, respectively, related to stock options outstanding under the Distributor Option Plan.

A consolidated summary of the Company's Plans and Distributor Option Plan at July 31, 2003, 2002 and 2001 and changes during the periods then ended is presented in the table below:

	2003		2002		2001	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Shares under option:						
Outstanding, beginning of year	3,297,304	$ 6.61	2,467,893	$ 6.93	1,535,307	$10.58
Granted.....	1,763,000	14.80	1,110,000	5.94	1,148,360	2.61
Exercised.....	150,060	5.96	58,433	3.09	--	--
Cancelled.....	423,425	9.60	222,156	7.75	215,774	9.63
Outstanding, end of year....	4,486,819	9.56	3,297,304	6.61	2,467,893	6.93
Exercisable, end of year....	1,239,648	8.38	1,063,216	9.48	688,173	11.23
Weighted average fair value of options granted	$ 5.80		$ 2.37		$ 1.18	
Options available for grant, end of year	930,890		770,465		671,982	

For various price ranges, weighted average characteristics of outstanding stock options at July 31, 2003 were as follows:

	Outstanding Options			Exercisable Options	
Range of Exercise Prices	Shares	Weighted Average Remaining Life (Years)	Weighted Average Price	Shares	Weighted Average Price
$ 2.13-- $ 4.60	888,777	7.35	$ 2.50	354,208	$ 2.54
$ 5.06-- $ 7.50	1,118,834	7.72	5.98	240,275	6.53
$ 7.90-- $12.75	813,559	8.37	10.08	200,582	8.62
$12.86-- $14.99	736,399	6.98	13.22	397,783	13.04
$15.09-- $18.57	878,250	9.38	17.00	--	--
$19.13-- $24.25	51,000	5.72	21.45	46,800	21.63
	4,486,819	7.95	$ 9.56	1,239,648	$ 8.38

Employee Stock Purchase Plan

The Company established an Employee Stock Purchase Plan (the "ESPP") effective January 1, 2000, for all eligible employees. Under the ESPP, shares of the Company's common stock are purchased during annual offerings commencing on January 1 of each year. Shares are purchased at three-month intervals at 85% of the lower of the fair market value on the first day of the offering or the last day of each three-month purchase period. Employees may purchase shares having a value not exceeding 15% of their annual compensation, or $25,000, whichever is less. During the years ended July 31, 2003, 2002 and 2001, employees purchased 52,774, 77,581 and 57,449 shares, respectively, at an average price of $6.75 per share, $3.06 per share and $2.13 per share, respectively. At July 31, 2003, 107,316 shares were reserved for future issuance under the ESPP.

Common Stock Warrants

Warrants to purchase 414,116 shares of the Company's common stock at an exercise price of $8.48 per share contained anti-dilution provisions that were triggered as a result of the issuance of 1,716,667 shares of Series A Convertible Preferred Stock at $6.00 per share and the issuance of warrants to purchase 1,372,071 shares of common stock at $3.8685 per share in connection with the private placement of subordinated debt. As a result, the exercise price of such warrants were reset at $3.8685 and the number of shares of common stock for which those warrants are exercisable was increased by 589,467 shares to 1,003,583 shares, which, if the warrants are exercised, will result in additional dilution for existing stockholders.

The Company has issued common stock warrants in connection with various debt, equity and acquisition transactions. At July 31, 2003, warrants to purchase a total of 1,299,093 shares of common stock were outstanding, fully vested and exercisable for various periods extending as long as through December 31, 2008, with exercise prices ranging from $3.87 to $15.79 per share. Interest expense related to the outstanding warrants was $2,666, $744 and $30 respectively, for the years ended July 31, 2003, 2002 and 2001. The fair value of each warrant is estimated on the date of grant using an option pricing model with the following weighted average assumptions used for all grants: expected lives of five to ten years; expected volatility ranging from 30% to 91%; expected dividends of zero and a risk-free interest rate ranging from 3.5% to 5.8%.

For all applicable warrant prices, weighted average characteristics of outstanding stock warrants at July 31, 2003 were as follows:

	Outstanding Options			Exercisable Options	
Exercise Prices	Shares	Weighted Average Remaining Life (Years)	Weighted Average Price	Shares	Weighted Average Price
$ 3.87	851,128	1.76	$ 3.87	851,128	$ 3.87
$ 8.48	117,965	1.10	8.48	117,965	8.48
$15.79	330,000	0.17	15.79	330,000	15.79
	1,299,093	1.30	$ 7.32	1,299,093	$ 7.32

Shares reserved for future issuance

The Company has reserved 6,824,118 authorized shares of common stock for future issuance as of July 31, 2003.

16. Supplemental Information to Consolidated Statements of Cash Flows

The Company had certain non-cash investing and financing activities during the years ended July 31, 2003, 2002 and 2001 as follows:

	2003	2002	2001
Property, plant and equipment acquired under capital lease obligations	$ 753	$ --	$ --
Stock issued and liabilities assumed in connection with acquisition transactions	29,368		8,831
Notes receivable exchanged for the purchase of assets	--	129	157
Warrants issued in connection with debt, equity and acquisition transactions	843	--	3,526
Advances to R4 Tech exchanged for the purchase of property, plant and equipment	--	7,599	--
Accreted preferred dividends	71	1,789	770

Interest paid during the years ended July 31, 2003, 2002 and 2001 was $4,079, $5,382 and $4,339, respectively.

17. Acquisitions

QuickShip, Inc.

On October 26, 2000, the Company completed the acquisition of QuickShip, Inc. a retail shipping service company previously based in Lenexa, Kansas. QuickShip, a wholly owned subsidiary of the Company, offers its service at over 250 retail locations in 26 states. The aggregate purchase price, including certain acquisition costs, was approximately $9,803, comprised of approximately $972 in cash and deferred payments, $86 in a five-year warrant to purchase 100,000 shares of common stock, $1,945 in liabilities assumed and $6,800 paid in the form of shares of Series A Convertible Preferred Stock at $6.00 per share. This acquisition was accounted for as a purchase. The purchase price was allocated based on an independent valuation as follows: approximately $7,433 to intangibles, approximately $2,201 to property, plant, and equipment consisting primarily of software and the balance to other assets and liabilities. The goodwill is not deductible for income tax purposes.

Distributors

In November 2002, the Company acquired Platinum Propane, L.L.C. ("Platinum") and Ark Holding Company LLC ("Ark") and their respective subsidiaries (collectively "Company-owned distributors"), representing ten of the Company's 51 distributors. Platinum's five subsidiary distributors operate in Southern California, including Los Angeles and San Diego, Chicago, the Carolinas, Georgia and Florida. Ark's five subsidiary distributors operate in New Jersey, Seattle, Kansas City, Denver and Salt Lake City. Collectively, the territories served by the acquired distributors have historically represented approximately 45% of the Company's cylinder exchange revenues. The consolidated statements of operations include the results of Platinum and Ark effective November 1, 2002.

The aggregate purchase price for the two acquisitions was approximately $32,000. The consideration paid by the Company in the two acquisitions consisted of approximately 1.1 million restricted shares of common stock valued, based on the closing price of the Company's common stock on the Nasdaq National Market on November 22, 2002, at approximately $19,000, $3,100 in assumed debt satisfied at closing, $4,900 in advances, and $5,000 in liabilities assumed. On a preliminary basis, approximately $28,200 of the purchase price was allocated to goodwill, $2,800 was allocated to current assets and $1,200 was allocated to equipment, vehicles and other assets. The goodwill is not deductible for income tax purposes.

Cylinder Exchange Businesses

During fiscal 2003, 2002 and 2001, the Company completed two, three, and four, respectively, cylinder exchange acquisitions for an aggregate cash purchase price of $3,700, $218 and $362, respectively, related to assets including cylinders, cylinder displays and other equipment and the right, title and interest in and to sellers' retail propane cylinder exchange accounts and locations.

Summary

During the years ended July 31, 2003, 2002 and 2001, the Company acquired cylinder exchange, Company-owned distributors and QuickShip assets described above under various agreements. These acquisitions are summarized as follows:

	2003	2002	2001
Net assets acquired including intangibles	$ 35,434	$ 218	$ 10,165
Assumed liabilities	(10,138)	--	(1,945)
Common stock and warrants issued	(18,550)	--	(6,886)
Cash paid for acquisitions	$ 6,746	$ 218	$ 1,334

The acquisitions were accounted for under the purchase method and, accordingly, the operating results from these acquisitions have been included in the Company's consolidated financial statements since the dates of acquisition. The following unaudited pro forma summary presents financial information for the Company for the years ended July 31, 2003 and 2002 as if the acquisitions had occurred on August 1, 2001. These pro forma results have been prepared for comparative purposes and do not purport to be indicative of what would have occurred had the acquisitions been made on August 1, 2001 or of future results.

	2003	2002
	(Unaudited)	
Net revenues	$257,900	$205,313
Net income	$ 13,666	$ 7,267
Basic income per common share	$ 0.83	$ 0.57

18. Related Party Transactions

On September 7, 2000 the Company completed a private placement of 1,716,667 shares of its Series A Convertible Preferred Stock to two institutional investors under common management and three individuals, including Billy D. Prim, its Chairman, Chief Executive Officer and President, and Andrew J. Filipowski, its Vice Chairman, for an aggregate purchase price of approximately $10,300. Messrs. Prim and Filipowski invested $50 and $250 for 8,333 and 41,667 shares of Series A Convertible Preferred Stock, respectively (Note 15).

The Company leases some of its facilities from Billy D. Prim, the Company's Chairman and Chief Executive Officer, and from Rhino Real Estate, LLC, a company affiliated with Billy D. Prim and Andrew J. Filipowski, the Company's Vice Chairman. The leases expire on December 31, 2003, April 30, 2004 and October 31, 2007, respectively. The Company's rent expense for the years ended July 31, 2003, 2002 and 2001 was $433, $272 and $259. The Company has received an independent third-party determination to the effect that its leases are fair and within typical market conditions and believes that the terms of all of these leases are comparable to those that could have been obtained from unrelated third parties.

Uniflame Corporation leases its facility from H & M Enterprises, LLC, a company affiliated with Mac McQuilkin, the president of Uniflame. The lease terminates on March 31, 2005. Uniflame's rent expense for the years ended July 31, 2003, 2002 and 2001 was $317, $316 and $308, respectively. The Company's management believes that the terms of this lease are comparable to those that could have been obtained from unrelated third parties.

Blue Rhino has paid fees for software development and Internet hosting services provided by divine, inc. Andrew J. Filipowski was the Chairman of divine, inc. and is the Company's Vice Chairman. During the years ended July 31, 2003 and 2002, the Company paid fees to divine, inc. in the amount of $376 and $31, respectively. The Company's management believes that the terms of these services were comparable to those that could have been obtained from an unrelated third party.

Both Messrs. Prim and Filipowski served as directors for Platinum Propane Holding, LLC ("PPH") and Ark Holding Company, LLC ("Ark"). On November 30, 2001, Messrs. Prim and Filipowski unconditionally guaranteed and secured the payment of certain PPH obligations to its primary bank in a principal amount of up to $3,500. In November 2002, the Company acquired Platinum, a subsidiary of PPH, and Ark (Note 17). The consolidated statements of operations include the results of Platinum and Ark effective November 1, 2002.

The following represents transactions with PPH as of October 31, 2002, and July 31, 2002 and 2001, respectively, and for the three-month period ended October 31, 2002, and years ended July 31, 2002 and 2001, respectively:

	2003	2002	2001
Advances	$4,837	$ 2,586	$ 2,637
Cost of sales	6,949	22,947	16,439
Interest income	94	303	162
Lease income	397	1,592	1,494

19. Defined Contribution Plan

The Company maintains a defined contribution employee benefit plan ("401(k) plan"), which covers all employees over 21 years of age who have completed a minimum of six months of employment. Employee contributions are matched by the Company up to a specific amount under the provisions of the 401(k) plan. Company contributions during the years ended July 31, 2003, 2002 and 2001 were approximately $234, $161 and $135, respectively.

20. Commitments and Contingencies

The Company leases certain facilities, vehicles and equipment under non-cancelable operating leases with original terms ranging from 36 to 60 months (Note 18). Additionally, the Company has certain computer hardware and software maintenance and support agreements. Rent expense and fees on these non-cancelable operating leases and service agreements from both affiliates and non-affiliates for the years ended July 31, 2003, 2002 and 2001 was $2,714, $1,427 and $1,034, respectively.

Future minimum payments at July 31, 2003 under non-cancelable operating leases and service agreements with initial or remaining terms of one year or more to both affiliates and non-affiliates are $1,422 in 2004, $715 in 2005, $344 in 2006, $223 in 2007, and $53 in 2008.

The Company currently has capital commitments outstanding of approximately $2.5 million relating to machinery and equipment associated with three new cylinder refilling and refurbishing facilities in Los Angeles, Chicago and Denver and two mobile filling and refurbishing facilities. The Company expects these commitments will be satisfied by the spring of 2004.

Patent Lawsuit and Related Proceedings

On August 8, 2003, American Biophysics Corporation ("ABC") filed a patent infringement suit against the Company in the U.S. District Court for the District of Rhode Island. ABC alleges that the SkeeterVac(R) mosquito elimination(TM) product infringes certain patents of ABC. The complaint seeks treble damages and attorneys' fees. Also on August 8, 2003, ABC filed a complaint against the Company with the United States International Trade Commission ("ITC") pursuant to Section 337 of the Tariff Act of 1930, as amended ("Section 337"). That complaint requests that the ITC institute an investigation regarding alleged violations of Section 337 based upon the importation into the United States by the Company and/or the offer for sale and sale within the United States after importation of SkeeterVac(R) products that allegedly infringe certain ABC patents. ABC also requested that the ITC issue a permanent exclusion order pursuant to Section 337, which would exclude further entry into the United States of the allegedly infringing products, and a permanent cease and desist order under Section 337, which would prohibit the importation into the United States, the sale for importation, and/or sale within the United States after importation, of allegedly infringing products. On August 13, 2003, the Company's subsidiary, Blue Rhino Consumer Products, LLC ("BRCP"), filed suit against ABC in the U.S. District Court for the Middle District of North Carolina seeking a declaration that BRCP's SkeeterVac(R) product does not infringe ABC's patents. On August 14, 2003, BRCP and another Company subsidiary, CPD Associates, Inc. ("CPD"), filed a lawsuit in the Superior Court of North Carolina, Forsyth County, against ABC asserting unfair and deceptive trade practices, unfair competition under North Carolina common law, tortious interference with business relations and prospective economic advantage, violations of Section 43(a) of the Lanham Act, and violation of the Anticybersquatting Consumer Protection Act. The complaint seeks, among other relief against ABC, a permanent injunction, treble damages, punitive damages, attorneys' fees and other costs and expenses. This case has been removed to the U.S. District Court for the Middle District of North Carolina. The Company believes that ABC's claims against it are without merit and intends to vigorously defend itself.

Securities Class Actions and Shareholder Derivative Actions

On May 19, 2003, George Schober filed a shareholder securities class action lawsuit in the United States District Court for the Central District of California, naming the Company, along with four of its officers and directors, as defendants. The plaintiff seeks to represent a class of investors who purchased the Company's publicly-traded securities between August 2002 and February 2003. The plaintiff alleges violations of Section 10(b) of the Securities Exchange Act of 1934 (the "Exchange Act") and Rule 10b-5 promulgated thereunder, and Section 20(a) of the Exchange Act. In particular, the plaintiff has alleged that the Company and the individual defendants violated the federal securities laws by, among other things, making materially false and misleading statements and/or failing to disclose material facts related to the financial performance of the Company, the impact of overfill prevention device regulations on the Company's business, the financial position of distributors Ark and Platinum, and the Company's acquisition of Ark and Platinum. The complaint seeks unspecified damages, plus reasonable costs and expenses, including attorneys' fees and experts' fees. Six tag-along securities class actions arising out of the same alleged facts and circumstances as the original action were subsequently filed in the same court. The cases have been consolidated into a single action and Andy Lee, Charles Anderberg and Steven Lendeman have been designated as lead plaintiffs. On May 22, 2003, Richard Marcoux filed a shareholder derivative action in the Superior Court of California, Los Angeles County, naming all directors and certain officers of the Company as individual defendants and the Company as a nominal defendant. On June 19, 2003, Randy Gish filed a substantially similar derivative action in the same court. Both the Marcoux and Gish actions were removed to the U.S. District Court for the Central District of California. The Marcoux case was subsequently remanded to Los Angeles Superior Court, but motions are pending to dismiss or stay that matter. The derivative actions arise out of substantially similar facts and circumstances as the securities class actions, and allege violations of the California Corporations Code, breach of fiduciary duty, abuse of control, gross mismanagement, waste of corporate assets and unjust enrichment. The Company believes that all of the foregoing securities class actions and derivative actions are without merit and intends to vigorously defend against these actions.

Settlement of Lawsuit with Former Independent Auditor

On March 7, 2003, pursuant to a negotiated settlement agreement, the Company dismissed its lawsuit against PricewaterhouseCoopers ("PwC") by filing a Voluntary Dismissal with Prejudice in the Superior Court of Forsyth County, North Carolina. This lawsuit had alleged violations of professional standards by PwC and failure to comply with contractual obligations during PwC's engagement as the Company's auditor. The net proceeds in the settlement were recognized in the Company's fiscal third quarter and, after attorneys' fees and other third quarter litigation expenses, were approximately $2.5 million. The specific terms of the settlement are confidential.

Other Litigation

The Company is also a party to other litigation which it considers routine and incidental to its business. Management does not expect the results of any of these other actions to have a material adverse effect on the Company's business, results of operations or financial condition.

21. Segment Information

The Company has two reportable segments: cylinder exchange and products and other. The cylinder exchange segment relates to cylinder exchange transactions and lease income from cylinders and cylinder displays. The products and other segment includes the activities required to sell patio heaters, grills, mosquito eliminators, fireplace accessories and garden products. In addition, the financial information related to QuickShip, a retail shipping services company acquired in October 2000, is included within the products and other segment as it is not currently significant on a stand-alone basis (Note 17). For the years ended July 31, 2003, 2002 and 2001, QuickShip had a loss from operations of ($1,406), ($2,020) and ($2,126), respectively.

The Company evaluates performance and allocates resources based on several factors, of which the primary financial measure is business segment operating income, defined as earnings before interest, taxes, depreciation and amortization before other non-operating expenses ("EBITDA"). Management of the Company believes that EBITDA is a useful measure of operating performance at a segment level as it is an important indicator of the ability of each segment to provide cash flows to service debt and fund working capital requirements and eliminates the uneven effect between our segments of non-cash depreciation of tangible assets and amortization of certain intangible assets. In addition, management currently uses EBITDA performance objectives at a segment level as the basis for determining incentive compensation. EBITDA as presented may not be comparable to similarly titled measures used by other entities. EBITDA should not be considered in isolation from, or as a substitute for, net income or cash flows from operating activities prepared in accordance with generally accepted accounting principles as an indicator of operating performance or as a measure of liquidity. The accounting policies of the segments are the same as those described in the summary of significant accounting policies (Note 2). There are no significant inter-segment revenues.

The Company's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and operational strategies. The Company's selected segment information as of and for the years ended July 31, 2003, 2002, and 2001 is as follows:

	2003	2002	2001
Net revenues:			
Cylinder exchange	$170,954	$127,944	$ 85,666
Products and other	87,268	77,641	52,291
	$258,222	$205,585	$137,957
Segment EBITDA:			
Cylinder exchange	$ 31,252	$ 20,691	$ 10,219
Products and other	2,482	3,568	2,267
Total segment EBITDA	33,734	24,259	12,486
Depreciation and amortization	9,261	7,888	8,461
Interest expense	7,784	6,217	5,134
Loss on investee	455	714	2,572
Nonrecurring items	-	-	449
Other, net	(2,513)	(422)	(301)
Income taxes	2,217	47	123
Net income	$16,530	$9,815	$(3,952)
Total assets:			
Cylinder exchange	$164,280	$110,870	$ 93,594
Products and other	46,525	32,503	33,750
	$210,805	$143,373	$127,344

The following items are included in income (loss) before income taxes:

	2003	2002	2001
Equity in loss of equity method investees:			
Cylinder exchange	$ 455	$ 714	$2,572
Products and other	--	--	--
	$ 455	$ 714	$2,572
Depreciation and amortization:			
Cylinder exchange	$8,401	$7,132	$5,965
Products and other	860	756	2,496
	$9,261	$7,888	$8,461

The following items are included in the determination of identifiable assets:

	2003	2002	2001
Investments in equity method investees:			
Cylinder exchange	$ --	$ --	$ 455
Products and other	--	--	--
	$ --	$ --	$ 455
Capital expenditures:			
Cylinder exchange	$18,885	$19,519	$10,844
Products and other	988	273	152
	$19,873	$19,792	$10,996
Goodwill:			
Cylinder exchange	$40,543	$ 9,558	$ 9,519
Products and other	21,083	21,083	21,144
	$61,626	$30,641	$30,663

22. Quarterly Financial Data (unaudited)

	Fiscal 2003 Quarter Ended			
	October 31	January 31	April 30	July 31
	(In thousands, except per share data)			
Net revenues	$54,815	$58,054	$59,900	$85,452
Total operating costs and expenses	51,901	55,768	55,731	70,348
Income from operations	2,914	2,286	4,169	15,104
Net income	$1,259	$ 916	$4,290	$10,064
Preferred dividends	71	-	-	-
Income available to common stockholders	$1,188	$ 916	$4,290	$10,064
Per share data:				
Basic earnings per common share	$ 0.08	$ 0.06	$ 0.24	$ 0.57
Diluted earnings per common share	$ 0.07	$ 0.05	$ 0.22	$ 0.50

	Fiscal 2002 Quarter Ended			
	October 31	January 31	April 30	July 31
	(In thousands, except per share data)			
Net revenues	$36,546	$38,759	$58,933	$71,347
Total operating costs and expenses	34,155	37,064	55,087	62,907
Income from operations	2,391	1,695	3,846	8,440
Net income (loss)	$ 573	$ (91)	2,354	$ 6,979
Preferred dividends	466	641	537	145
Income (loss) available to common stockholders	$ 107	$ (732)	$ 1,817	$ 6,834

Per share data:				
Basic earnings (loss) per common share...	$ 0.01	$ (0.06)	$ 0.15	$ 0.49
Diluted earnings (loss) per common share.	$ 0.01	$ (0.06)	$ 0.12	$ 0.40

Note: Quarterly amounts may not add to annual amounts due to the effect of rounding on a quarterly basis.

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

The unaudited pro forma condensed combined balance sheet as of January 31, 2004, was prepared by combining our balance sheet at January 31, 2004 with Blue Rhino Corporation's balance sheet at January 31, 2004, giving effect to the Blue Rhino LLC contribution as though it had been completed on January 31, 2004. The unaudited pro forma condensed combined statements of earnings for the periods presented were prepared by combining our statements of earnings for the six months ended January 31, 2004, and the year ended July 31, 2003, with Blue Rhino Corporation's statements of operations for the six months ended January 31, 2004, and the year ended July 31, 2003, respectively, giving effect to the Blue Rhino LLC contribution as though it had occurred on August 1, 2002. These unaudited pro forma condensed combined financial statements do not give effect to any restructuring costs or to any potential cost savings or other operating efficiencies that could result from the integration of Blue Rhino LLC with our operations.

The following unaudited pro forma condensed combined financial statements give effect to the Blue Rhino LLC contribution under the purchase method of accounting. These pro forma statements are presented for illustrative purposes only. The pro forma adjustments are based upon available information and assumptions that management believes are reasonable. These unaudited pro forma condensed combined financial statements do not purport to represent what our results of operations or financial position would actually have been if the Blue Rhino LLC contribution had in fact occurred on such dates, nor do they purport to project our results of operations or financial position for any future period or as of any date. Under the purchase method of accounting, tangible and identifiable intangible assets acquired and liabilities assumed are recorded at their estimated fair values. The excess of the purchase price, including estimated fees and expenses related to the Blue Rhino LLC contribution, over the fair value of the net assets acquired is classified as goodwill in the accompanying unaudited pro forma condensed combined balance sheet. The estimated fair values and useful lives of assets acquired and liabilities assumed are based on a preliminary valuation and are subject to final valuation adjustments. We intend to continue our analysis of the net assets of Blue Rhino LLC to determine the final allocation of the total purchase price to the various assets acquired and the liabilities assumed.

Our consolidated historical financial statements for the year ended July 31, 2003, are derived from our audited consolidated financial statements contained in our Form 10-K as filed with the SEC on October 21, 2003. Our unaudited condensed consolidated historical financial statements for the six months ended January 31, 2004, are derived from the unaudited condensed consolidated financial statements contained in our Form 10-Q as filed with the SEC on March 10, 2004. The historical financial statements of Blue Rhino Corporation for the year ended July 31, 2003, are derived from audited consolidated financial statements contained in Blue Rhino Corporation's Form 10-K as filed with the SEC on October 21, 2003. The unaudited condensed historical financial statements of Blue Rhino Corporation for the six months ended January 31, 2004, are derived from the unaudited condensed financial statements contained in Blue Rhino Corporation's 10-Q as filed with the SEC on March 11, 2004.

You should read the financial information in this section together with our historical consolidated financial statements and accompanying notes contained in our prior SEC filings, and Blue Rhino Corporation's historical consolidated financial statements and accompanying notes contained in its prior SEC filings or in this current report.

Unaudited Pro Forma Condensed Combined Balance Sheet (1)
January 31, 2004
(in thousands)

ASSETS	Ferrellgas Partners, L.P. Historical (2)	Blue Rhino Corporation Historical (2)	Pro Forma Adjustments	(3)	Pro Forma Combined
Current assets:					
Cash and cash equivalents	$ 23,072	$ 2,351	$ -		$ 25,423
Accounts and notes receivable, net	157,581	14,351	-		171,932
Inventories	83,976	26,561	-		110,537
Prepaid expenses and other current assets	8,819	9,362	(2,077)	(4)	16,104
Total current assets	273,448	52,625	(2,077)		323,996
Property, plant and equipment, net	698,457	85,499	(9,229)	(5)	774,727
Goodwill	124,190	61,867	58,484	(6)	244,541
Intangible assets, net	110,067	1,254	175,028	(7)	286,349
Other assets	8,609	1,064	5,605	(8)	15,278
Total assets	$1,214,771	$ 202,309	$227,811		$1,644,891
Liabilities and Partners' Capital					

Current liabilities:					
Accounts payable	$ 116,813	$ 17,689	$ -		$ 134,502
Other current liabilities	71,185	11,995	(5,250)	(9)	77,930
Short-term borrowings	42,700	-	(16,136)	(10)	26,564
Total current liabilities	230,698	29,684	(21,386)		238,996
Long-term debt	900,396	33,357	185,691	(11)	1,119,444
Other liabilities and deferred credits	19,728	5,042	(3,032)	(12)	21,738
Contingencies and commitments	-	-	-		-
Minority interest	2,853		2,027	(13)	4,880
Stockholders' equity					
Common stock		18	(18)	(14)	-
Capital in excess of par		133,062	(133,062)	(14)	-
Retained earnings		538	(538)	(14)	-
Accumulated other comprehensive income (loss)		608	(608)	(14)	-
Total stockholders' equity		134,226	(134,226)		-
Total liabilities and stockholders' equity		$ 202,309			
Partners' capital:					
Senior unitholder	79,766				79,766
Common unitholders	41,879		196,749	(15)	238,628
General partner unitholder	(58,736)		1,988	(16)	(56,748)
Accumulated other comprehensive loss	(1,813)		-		(1,813)
Total partners' capital	61,096		198,737		259,833
Total liabilities and partners' capital	$1,214,771		$227,811		$1,644,891

See Accompanying Notes to Unaudited Pro Forma
Condensed Combined Financial Statements.

Unaudited Pro Forma Condensed Combined Statement Of Earnings (1)
Six Months Ended January 31, 2004
(in thousands)

	Ferrellgas Partners, L.P. Historical (2)	Blue Rhino Corporation Historical (2)	Pro Forma Adjustments		Pro Forma Combined
Revenues	$737,195	$ 108,512	$ -		$845,707
Cost of product sold (exclusive of depreciation, shown with amortization below)	446,148	84,507	(3,200)	(17)	527,455
Gross profit	291,047	24,005	3,200		318,252
Operating expense	152,283	-	-		152,283
Depreciation and amortization expense	23,860	5,132	10,854	(17) (18)	39,846
General and administrative expense	15,873	14,846	-		30,719
Equipment lease expense	9,243	-	-		9,243
Employee stock ownership plan compensation charge	3,948	-	-		3,948
Loss on disposal of assets and other	3,552	145	-		3,697
Operating income	82,288	3,882	(7,654)		78,516
Interest expense	(34,085)	(1,261)	(6,705)	(19)	(42,051)
Interest income	801	13	-		814
Earnings before minority interest and income taxes	49,004	2,634	(14,359)		37,279
Minority interest	595	-	(127)	(20)	468
Income taxes	-	1,028	(1,759)	(21)	(731)
Earnings from continuing operations	$ 48,409	$ 1,606	$(12,473)		$ 37,542

See Accompanying Notes to Unaudited Pro Forma
Condensed Combined Financial Statements.

Unaudited Pro Forma Condensed Combined Statement Of Earnings (1)
Fiscal Year Ended July 31, 2003
(in thousands)

	Ferrellgas Partners, L.P. Historical (2)	Blue Rhino Corporation Historical (2)	Pro Forma Adjustments		Pro Forma Combined
Revenues	$1,221,639	$258,222	$ -		$1,479,861
Cost of product sold (exclusive of depreciation, shown with amortization below)	690,969	196,084	(12,300)	(17)	874,753
Gross profit	530,670	62,138	12,300		605,108
Operating expense	297,970	-	-		297,970
Depreciation and amortization expense	40,779	9,261	19,607	(17) (22)	69,647
General and administrative expense	28,024	28,404	-		56,428
Equipment lease expense	20,640	-	-		20,640
Employee stock ownership plan compensation charge	6,778	-	-		6,778
Loss on disposal of assets and other	6,679	(2,372)	-		4,307
Operating income	129,800	26,845	(7,307)		149,338
Interest expense	(63,665)	(7,784)	(7,961)	(23)	(79,410)
Interest income	1,291	141	-		1,432
Loss on investee	-	(455)	-		(455)
Early extinguishment of debt expense	(7,052)	-	-		(7,052)
Earnings before minority interest and income taxes	60,374	18,747	(15,268)		63,853
Minority interest	871	-	(132)	(20)	739
Income taxes	-	2,217	(2,152)	(21)	65
Earnings from continuing operations	$ 59,503	$ 16,530	$(12,984)		$63,049

See Accompanying Notes to Unaudited Pro Forma
Condensed Combined Financial Statements.

Notes to Unaudited Pro Forma Condensed Combined Financial Statements

1. Presentation: The Blue Rhino LLC contribution was completed on April 21, 2004. These unaudited pro forma condensed combined financial statements do not give effect to any restructuring costs, potential cost savings or other operating efficiencies that are expected to result from the Blue Rhino LLC contribution (see also footnote 24). The unaudited pro forma financial data is not necessarily indicative of the operating results or financial position that would have occurred had the Blue Rhino LLC contribution been completed at the dates indicated, nor is it necessarily indicative of future operating results or financial position. The purchase accounting adjustments made in connection with the development of these unaudited pro forma condensed combined financial statements are preliminary and have been made solely for purposes of developing such pro forma financial information.

2. The columns represent our unaudited condensed historical financial position and results of operations, as well as those of Blue Rhino Corporation. Our unaudited condensed balance sheet data reported on the unaudited pro forma condensed combined balance sheet was derived from the information included in our Form 10-Q as filed with the SEC on March 10, 2004. The Blue Rhino Corporation unaudited condensed balance sheet data reported on the unaudited pro forma condensed combined balance sheet was derived from the information included in Blue Rhino Corporation's Form 10-Q as filed with the SEC on March 11, 2004. Our unaudited condensed income statement data reported on the unaudited pro forma condensed combined statement of earnings for the six months ended January 31, 2004, and the year ended July 31, 2003, was derived from the information included in our Form 10-Q as filed with the SEC on March 10, 2004, and our Form 10-K as filed with the SEC on October 21, 2003, respectively. The Blue Rhino Corporation unaudited condensed income statement data reported on the unaudited pro forma condensed combined statement of earnings for the six months ended January 31, 2004, and the year ended July 31, 2003, was derived from the information included in Blue Rhino Corporation's Form 10-Q as filed with the SEC on March 11, 2004, and in Blue Rhino Corporation's Form 10-K as filed with the SEC on October 21, 2003, respectively.

3. We have assumed for purposes of the unaudited pro forma condensed combined balance sheet that the following transactions occurred on January 31, 2004, and for purposes of the unaudited pro forma condensed combined statements of earnings, that the following transactions occurred on August 1, 2002:

a. The Blue Rhino LLC contribution and ancillary transactions.

On April 20, 2004, FCI Trading Corp., an affiliate of Ferrellgas, Inc., our general partner, acquired all of the outstanding common stock of Blue Rhino Corporation in an all-cash merger. Pursuant to an Agreement and Plan of Merger dated February 8, 2004, a subsidiary of FCI Trading merged with and into Blue Rhino Corporation whereby the then current stockholders of Blue Rhino Corporation were granted the right to receive a payment from FCI Trading of $17.00 in cash for each share of Blue Rhino Corporation common stock outstanding on April 20, 2004. FCI Trading thereafter became the sole stockholder of Blue Rhino Corporation and immediately after the merger, FCI Trading converted Blue Rhino Corporation into a limited liability company, Blue Rhino LLC.

Pursuant to a Contribution Agreement dated February 8, 2004, FCI Trading contributed on April 21, 2004 all of the membership interests in Blue Rhino LLC to Ferrellgas, L.P. through a series of transactions and Ferrellgas, L.P. assumed FCI Trading's obligation under the Agreement and Plan Of Merger to pay the $17.00 per share to the former stockholders of Blue Rhino Corporation together with other specific obligations. In consideration of this contribution, Ferrellgas Partners issued 195,686 common units to FCI Trading. Both we and FCI Trading have agreed to indemnify our general partner from any damages incurred by our general partner in connection with the assumption of any of the obligations described above. Also on April 21, 2004, subsequent to the contribution described above, Blue Rhino LLC merged with and into Ferrellgas, L.P.

In addition to the payment of $17.00 per share to the former stockholders of Blue Rhino Corporation, each vested stock option and warrant that permits its holder to purchase common stock of Blue Rhino Corporation that was outstanding immediately prior to the merger was converted into the right to receive a cash payment from Blue Rhino Corporation equal to the difference between $17.00 per share and the applicable exercise price of the stock option or warrant. Unvested options and warrants not otherwise subject to automatic accelerated vesting upon a change in control vested on a pro rata basis through April 19, 2004, based on their original vesting date. The total payment to the former Blue Rhino Corporation stockholders for all common stock outstanding on April 20, 2004 and for those Blue Rhino Corporation options and warrants then outstanding was approximately $343million. A press release regarding the merger and contribution was issued by us on April 20, 2004 and is filed as Exhibit 99.2 to this Current Report and is hereby incorporated by reference into this description.

The consideration to be paid and preliminary purchase price allocation based upon estimated fair values for the Blue Rhino LLC contribution are as follows (in thousands):

Pro forma purchase price--	
Assumption of liability for cash settlement of the merger consideration	$318,443
Assumption of obligation related to stock option and warrant plan of Blue Rhino LLC	24,971
Common units issued to affiliate in exchange for the contribution of membership interests of Blue Rhino LLC to us	4,685
Equity interest issued to general partner and minority interest in exchange for contribution of membership interests of Blue Rhino LLC to us and our operating partnership	4,015
Assumption of liability related to replacement of Mr. Prim's employment agreement	2,500
Estimated acquisition-related costs and expenses, including fees for consultants, attorneys, accountants and other out-of-pocket costs	1,700
Assumption of Blue Rhino LLC debt outstanding on bank credit facility	37,900
Total pro forma purchase price	$394,214
Allocation of purchase price --	
Net working capital	$ 26,114
Property, plant and equipment	73,120
Identifiable intangible assets, including customer lists, trademarks, patents, and non-compete agreements	176,282
Goodwill	120,351
Other assets	1,064
Long-term debt	(707)
Other liabilities and deferred credits	(2,010)
Total pro forma allocation of purchase price	$394,214

The foregoing pro forma purchase price is based upon the actual amounts to be paid, fair values of liabilities to be assumed and estimated remaining transaction-related costs. The preliminary purchase price allocation is based on available information and certain assumptions that management considers reasonable. The pro forma allocation of purchase price will be based upon a final determination of the fair market value of the net assets contributed at closing as determined by valuations and other studies that are not yet complete. The final purchase price allocation may differ from the preliminary allocation.

b. The purchase of common units by Mr. James E. Ferrell, Chairman, President and Chief Executive Officer of our general partner, with an aggregate value of approximately $1.8 million.

c. Mr. Billy D. Prim, the Chairman and Chief Executive Officer of Blue Rhino Corporation, entered into an employment agreement dated February 8, 2004, with Ferrell Companies, Inc. and our general partner that will become effective upon the closing of the merger of a subsidiary of FCI Trading with and into Blue Rhino Corporation in accordance with the terms of the Agreement and Plan of Merger and that will supercede and replace Mr. Prim's current employment agreement with Blue Rhino Corporation. The replacement of Mr. Prim's current employment agreement will cost $2.5 million. Mr. Prim has entered into a real property contribution agreement with us dated February 8, 2004, pursuant to which he will contribute to us real property in Yadkin County, North Carolina currently leased to Blue Rhino Corporation in exchange for common units with an aggregate value of $3.15 million.

d. Each of Mr. Prim and two additional Blue Rhino Corporation stockholders entered into unit purchase agreements with us dated February 8, 2004, pursuant to which they have agreed to purchase common units with an aggregate value of $31 million.

e. Contribution of a portion of the membership interests in Blue Rhino LLC valued at approximately $4.0 million by our general partner to us and our operating partnership - At closing, our general partner will contribute its membership interests in Blue Rhino LLC to maintain its required 1% general partnership interest in us and its required 1.0101% general partnership interest in our operating partnership.

f. Issuance of $4.7 million of our common units to FCI Trading Corp. for the contribution to us of its membership interests in Blue Rhino LLC.

4. The pro forma adjustment to prepaid expenses and other current assets reflect the elimination of the deferred income tax asset on Blue Rhino LLC assets contributed to our operating partnership. The remaining deferred income tax asset is related to Blue Rhino LLC assets contributed to a taxable subsidiary of our operating partnership.

5. The pro forma adjustment to property, plant and equipment (in thousands):

Allocation of purchase price to property,

plant and equipment	$73,120
Purchase of land from Mr. Prim	3,150
Elimination of historical cost of property, plant and equipment of Blue Rhino LLC	(85,499)
Pro forma adjustment	$ (9,229)

6. The pro forma adjustment to goodwill (in thousands):

Goodwill associated with Blue Rhino LLC contribution	$120,351
Elimination of historical cost of goodwill of Blue Rhino LLC	(61,867)
Pro forma adjustment	$ 58,484

7. The pro forma adjustment to intangible assets, net (in thousands):

Intangible asset - trademarks associated with Blue Rhino LLC contribution	$ 83,800
Intangible asset - customer list associated with Blue Rhino LLC contribution	75,644
Intangible asset - patents associated with Blue Rhino LLC contribution	7,377
Intangible asset - noncompete agreements associated with Blue Rhino LLC contribution	3,707
Intangible asset - other intangible assets associated with Blue Rhino LLC contribution	5,754
Elimination of historical cost of intangibles of Blue Rhino LLC	(1,254)
Pro forma adjustment	$175,028

8. The pro forma adjustment to other assets reflects the debt issuance costs incurred related to the issuance by subsidiaries of our operating partnership of $250 million senior notes (described in footnote 11).

9. The pro forma adjustment to other current liabilities reflects the repayment of some of Blue Rhino LLC's other current liabilities with proceeds remaining from the issuance of common units.

10. The pro forma adjustment to short-term borrowings reflects the reduction in borrowings with the proceeds remaining from our issuance of common units.

11. The pro forma adjustment to long-term debt (in thousands):

Issuance by subsidiaries of our operating partnership of the $250 million senior notes net of discount	$ 249,093
Elimination of Blue Rhino LLC debt with proceeds from the issuance of common units	(32,650)
Reduction of our operating partnership's credit facility borrowings classified as long-term from the issuance of common units	(30,752)
Pro forma adjustment	$ 185,691

12. The pro forma adjustment to other liabilities and deferred credits reflect the elimination of some of the deferred income tax liability on Blue Rhino LLC assets contributed to our operating partnership. The remaining deferred income tax liability is related to Blue Rhino LLC assets contributed to a taxable subsidiary of our operating partnership.

13. The pro forma adjustments to minority interest reflect the contribution from our general partner of its membership interests in Blue Rhino LLC (described in footnote 3).

14. The pro forma adjustments reflect the elimination of Blue Rhino Corporation's stockholders' equity accounts.

15. The pro forma adjustments to common units (in thousands):

Common units issued to public, net of equity issuance fees	$156,136
Common units issued in a private placement	35,928
Common units issued to an affiliate	4,685
Pro forma adjustments	$196,749

16. The pro forma adjustments to our general partner's capital reflects the contribution from our general partner of its membership interests in Blue Rhino LLC (described in footnote 3).

17. The pro forma adjustment to cost of goods sold reflects the change in accounting policy for the purchase of cylinders and associated valves. Blue Rhino Corporation's accounting policy expensed the cost of upgrading cylinder valves and classified it as cost of goods sold. Blue Rhino Corporation capitalized the cost of purchased cylinders and depreciated cylinders over 25 years. Our accounting policy will result in the capitalization of such valve costs and their depreciation over 2 years. The cost of purchased cylinders will be depreciated over 20 years.

18. The pro forma adjustment to depreciation and amortization expense for the six months ended January 31, 2004 (in thousands):

Elimination of historical depreciation and amortization expense of Blue Rhino LLC	$(5,132)
Additional depreciation and amortization expense reflecting the preliminary allocation of purchase price:	
Depreciation of amount allocated to property, plant and equipment	3,482
Depreciation of amount allocated to cylinders and associated valves	6,400
Amortization of amount allocated to customer list (15 year life)	2,521
Amortization of amount allocated to patents (5 year life)	738
Amortization of amount allocated to noncompete agreements (6 year life)	309
Amortization of amount allocated to other intangible assets (3-6 year life)	2,536
Pro forma adjustment	$10,854

19. The pro forma adjustment to interest expense for the six months ended January 31, 2004 (in thousands):

Elimination of Blue Rhino LLC interest expense	$1,261
Elimination of interest related to repayment of a portion of our operating partnership's credit facility at the existing average interest rate of 3.4%	797
Additional interest expense related to--	
Issuance by subsidiaries of our operating partnership of $250 million senior notes net of discount	(8,483)
Amortization of debt issuance costs related to the $250 million senior notes	(280)
Pro forma adjustment	$(6,705)

The elimination of interest expense related to our operating partnership's credit facility was determined based on

- repayment of $46.9 million of existing indebtedness with proceeds from

our issuance of common units and

- an average interest rate of 3.4%.

20. The pro forma adjustment to the minority interest in the consolidated results reflects our general partner's interest in our operating partnership.

21. The pro forma adjustment to the provision for income taxes reflects that we and several of our subsidiaries are not subject to income tax and the contribution of certain assets of Blue Rhino LLC into a taxable subsidiary of our operating partnership.

22. The pro forma adjustment to depreciation and amortization expense for the fiscal year ended July 31, 2003 (in thousands):

Elimination of historical depreciation and amortization expense of Blue Rhino LLC	$(9,261)
Additional depreciation and amortization expense reflecting the preliminary allocation of purchase price:	
Depreciation of amount allocated to property, plant and equipment	6,959
Depreciation of amount allocated to cylinders and associated valves	9,700
Amortization of amount allocated to customer list (15 year life)	5,043
Amortization of amount allocated to patents (5 year life)	1,475
Amortization of amount allocated to noncompete agreements (6 year life)	618
Amortization of amount allocated to other intangible assets (3-6 year life)	5,073
Pro forma adjustment	$19,607

23. The pro forma adjustment to interest expense for the fiscal year ended July 31, 2003 (in thousands):

Elimination of Blue Rhino LLC interest expense	$ 7,784
Elimination of interest related to repayment of a portion of our operating partnership's credit facility at the existing average interest rate of 3.8%	1,782
Additional interest expense related to--	
Issuance by subsidiaries of our operating partnership of $250 million senior notes net of discount	(16,966)
Amortization of debt issuance costs related to the $250 million senior notes	(561)
Pro forma adjustment	$(7,961)

The elimination of interest expense related to our operating partnership's credit facility was determined based on

- repayment of $46.9 million of existing indebtedness with proceeds from our issuance of common units and

- an average interest rate of 3.8%.

24. The following forecast information has not been included in these unaudited pro forma condensed combined financial statements but is presented as follows to provide additional information about the Blue Rhino LLC contribution.

We believe that:

- Blue Rhino LLC's counter-seasonal business activities and anticipated future growth will provide us with the ability to better utilize our seasonal resources;

- our over 600 retail locations will provide Blue Rhino LLC with a network that complements its existing distributor network;

- we will achieve cost savings from the elimination of duplicative general and administrative expenses, specifically insurance costs and expenses related to Blue Rhino LLC's former status as a publicly-held company; and

- Blue Rhino LLC will achieve savings by our provision of propane procurement, storage and transportation logistics.

We believe that these cost saving opportunities can eliminate approximately $3 million of annual operating expense and $4 million of general and administrative expense from the operations of Blue Rhino LLC based on the fiscal year used in the unaudited pro forma condensed combined statement of earnings.

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

The unaudited pro forma condensed combined balance sheet as of January 31, 2004, was prepared by combining Ferrellgas, L.P.'s balance sheet at January 31, 2004 with Blue Rhino Corporation's balance sheet at January 31, 2004, giving effect to the Blue Rhino LLC contribution as though it had been completed on January 31, 2004. The unaudited pro forma condensed combined statements of earnings for the periods presented were prepared by combining Ferrellgas L.P.'s statements of earnings for the six months ended January 31, 2004, and the year ended July 31, 2003, with Blue Rhino Corporation's statements of operations for the six months ended January 31, 2004, and the year ended July 31, 2003, respectively, giving effect to the Blue Rhino LLC contribution as though it had occurred on August 1, 2002. These unaudited pro forma condensed combined financial statements do not give effect to any restructuring costs or to any potential cost savings or other operating efficiencies that could result from the integration of Blue Rhino LLC with the operations of Ferrellgas, L.P.

The following unaudited pro forma condensed combined financial statements give effect to the Blue Rhino LLC contribution under the purchase method of accounting. These pro forma statements are presented for illustrative purposes only. The pro forma adjustments are based upon available information and assumptions that management believes are reasonable. These unaudited pro forma condensed combined financial statements do not purport to represent what the results of operations or financial position of Ferrellgas, L.P. would actually have been if the Blue Rhino LLC contribution had in fact occurred on such dates, nor do they purport to project the results of operations or financial position of Ferrellgas, L.P. for any future period or as of any date. Under the purchase method of accounting, tangible and identifiable intangible assets acquired and liabilities assumed are recorded at their estimated fair values. The excess of the purchase price, including estimated fees and expenses related to the Blue Rhino LLC contribution, over the fair value of the net assets acquired is classified as goodwill in the accompanying unaudited pro forma condensed combined balance sheet. The estimated fair values and useful lives of assets acquired and liabilities assumed are based on a preliminary valuation and are subject to final valuation adjustments. Ferrellgas, L.P. intends to continue its analysis of the net assets of Blue Rhino LLC to determine the final allocation of the total purchase price to the various assets acquired and the liabilities assumed.

Ferrellgas, L.P.'s consolidated historical financial statements for the year ended July 31, 2003, are derived from its audited consolidated financial statements contained in its Form 10-K as filed with the SEC on October 21, 2003. Ferrellgas, L.P.'s unaudited condensed consolidated historical financial statements for the six months ended January 31, 2004, are derived from its unaudited condensed consolidated financial statements contained in its Form 10-Q as filed with the SEC on March 10, 2004. The historical financial statements of Blue Rhino Corporation for the year ended July 31, 2003, are derived from the audited consolidated financial statements contained in Blue Rhino Corporation's Form 10-K as filed with the SEC on October 21, 2003. The unaudited condensed historical financial statements of Blue Rhino Corporation for the six months ended January 31, 2004, are derived from the unaudited condensed financial statements contained in Blue Rhino Corporation's Form 10-Q as filed with the SEC on March 11, 2004.

You should read the financial information in this section together with Ferrellgas, L.P.'s historical consolidated financial statements and accompanying notes contained in its prior SEC filings, and Blue Rhino Corporation's historical consolidated financial statements and accompanying notes contained in its prior SEC filings or in this current report.

UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET(1)
January 31, 2004
(in thousands)

ASSETS	Ferrellgas, L.P. Historical (2)	Blue Rhino Corporation Historical (2)	Pro Forma Adjustments	(3)	Pro Forma Combined
Current assets:					
Cash and cash equivalents	$ 20,896	$ 2,351	$ -		$ 23,247
Accounts and notes receivable, net	157,581	14,351	-		171,932
Inventories	83,976	26,561	-		110,537
Prepaid expenses and other current assets	8,043	9,362	(2,077)	(4)	15,328
Total current assets	270,496	52,625	(2,077)		321,044
Property, plant and equipment, net	698,457	85,499	(9,229)	(5)	774,727
Goodwill	124,190	61,867	58,484	(6)	244,541
Intangible assets, net	110,067	1,254	175,028	(7)	286,349
Other assets	4,305	1,064	5,605	(8)	10,974
Total assets	$1,207,515	$202,309	$227,811		$1,637,635
LIABILITIES AND PARTNERS' CAPITAL					

Current liabilities:					
Accounts payable	$ 116,536	$ 17,689	$ -		$ 134,225
Other current liabilities	67,043	11,995	(5,250)	(9)	73,788
Short-term borrowings	42,700	-	(16,136)	(10)	26,564
Total current liabilities	226,279	29,684	(21,386)		234,577
Long-term debt	680,915	33,357	185,691	(11)	899,963
Other liabilities and deferred credits	19,728	5,042	(3,032)	(12)	21,738
Contingencies and commitments	-	-	-		-
Stockholders' equity					
Common stock		18	(18)	(13)	-
Capital in excess of par		133,062	(133,062)	(13)	-
Retained earnings		538	(538)	(13)	-
Accumulated other comprehensive income		608	(608)	(13)	-
Total stockholders' equity		134,226	(134,226)		
Total liabilities and stockholders' equity		$202,309			
Partners' capital:					-
Limited partner	279,553		198,737	(14)	478,290
General partner	2,853		2,027	(15)	4,880
Accumulated other comprehensive loss	(1,813)		-		(1,813)
Total partners' capital	280,593		200,764		481,357
Total liabilities and partners' capital	$1,207,515		$227,811		$1,637,635

See Accompanying Notes to Unaudited Pro Forma Condensed Combined Financial Statements.

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF EARNINGS(1)
Six Months Ended January 31, 2004
(in thousands)

	Ferrellgas, L.P. Historical (2)	Blue Rhino Corporation Historical (2)	Pro Forma Adjustments		Pro Forma Combined
Revenues	$737,195	$108,512	$ -		$845,707
Cost of product sold (exclusive of depreciation, shown with amortization below)	446,148	84,507	(3,200)	(16)	527,455
Gross profit	291,047	24,005	3,200		318,252
Operating expense	152,151	-	-		152,151
Depreciation and amortization expense	23,860	5,132	10,854	(16) (17)	39,846
General and administrative expense	15,873	14,846	-		30,719
Equipment lease expense	9,243	-	-		9,243
Employee stock ownership plan compensation charge	3,948	-	-		3,948
Loss on disposal of assets and other	3,552	145	-		3,697
Operating income	82,420	3,882	(7,654)		78,648
Interest expense	(24,304)	(1,261)	(6,705)	(18)	(32,270)
Interest income	801	13	-		814
Earnings before income taxes	58,917	2,634	(14,359)		47,192
Income taxes	-	1,028	(1,759)	(19)	(731)
Earnings from continuing operations	$58,917	$ 1,606	$(12,600)		$ 47,923

See Accompanying Notes to Unaudited Pro Forma Condensed Combined Financial Statements.

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF EARNINGS (1)
Fiscal Year Ended July 31, 2003
(in thousands)

	Ferrellgas, L.P. Historical (2)	Blue Rhino Corporation Historical (2)	Pro Forma Adjustments		Pro Forma Combined
Revenues	$1,221,639	$258,222	$ -		$1,479,861
Cost of product sold (exclusive of depreciation, shown with amortization below)	690,969	196,084	(12,300)	(16)	874,753
Gross profit	530,670	62,138	12,300		605,108
Operating expense	297,535	-	-		297,535
Depreciation and amortization expense	40,779	9,261	19,607	(16)	69,647
				(20)	
General and administrative expense	28,024	28,404	-		56,428
Equipment lease expense	20,640	-	-		20,640
Employee stock ownership plan compensation charge	6,778	-	-		6,778
(Gain) loss on disposal of assets and other	6,679	(2,372)	-		4,307
Operating income	130,235	26,845	(7,307)		149,773
Interest expense	(45,318)	(7,784)	(7,961)	(21)	(61,063)
Interest income	1,281	141	-		1,422
Loss on investee	-	(455)	-		(455)
Earnings before income taxes	86,198	18,747	(15,268)		89,677
Income taxes	-	2,217	(2,152)	(19)	65
Earnings from continuing operations	$ 86,198	$ 16,530	$(13,116)		$ 89,612

See Accompanying Notes to Unaudited Pro Forma Condensed Combined Financial Statements.

FERRELLGAS, L.P.

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

1. Presentation. The Blue Rhino LLC contribution was completed on April 21, 2004. These unaudited pro forma condensed combined financial statements do not give effect to any restructuring costs, potential cost savings or other operating efficiencies that are expected to result from the Blue Rhino LLC contribution (see also footnote 22). The unaudited pro forma financial data is not necessarily indicative of the operating results or financial position that would have occurred had the Blue Rhino LLC contribution been completed at the dates indicated, nor is it necessarily indicative of future operating results or financial position. The purchase accounting adjustments made in connection with the development of these unaudited pro forma condensed combined financial statements are preliminary and have been made solely for purposes of developing such pro forma financial information.

2. The columns represent Ferrellgas, L.P.'s unaudited condensed historical financial position and results of operations, as well as those of Blue Rhino Corporation. Ferrellgas, L.P.'s unaudited condensed balance sheet data reported on the unaudited pro forma condensed combined balance sheet was derived from the information included in its Form 10-Q as filed with the SEC on March 10, 2004. The Blue Rhino Corporation unaudited condensed balance sheet data reported on the unaudited pro forma condensed combined balance sheet was derived from the information included in Blue Rhino Corporation's Form 10-Q as filed with the SEC on March 11, 2004. Ferrellgas, L.P.'s unaudited condensed income statement data reported on the unaudited pro forma condensed combined statement of earnings for the six months ended January 31, 2004, and the year ended July 31, 2003, was derived from the information included in its Form 10-Q as filed with the SEC on March 10, 2004, and its Form 10-K as filed with the SEC on October 21, 2003, respectively. The Blue Rhino Corporation unaudited condensed income statement data reported on the unaudited pro forma condensed combined statement of earnings for the six months ended January 31, 2004, and the year ended July 31, 2003, was derived from the information included in Blue Rhino Corporation's Form 10-Q as filed with the SEC on March 11, 2004, and in Blue Rhino Corporation's Form 10-K as filed with the SEC on October 21, 2003, respectively.

3. Ferrellgas, L.P. has assumed for purposes of the unaudited pro forma condensed combined balance sheet that the following transactions occurred on January 31, 2004, and for purposes of the unaudited pro forma condensed combined statements of earnings, that the following transactions occurred on August 1, 2002:

a) The Blue Rhino LLC contribution and ancillary transactions.

On April 20, 2004, FCI Trading Corp., an affiliate of Ferrellgas, Inc., the general partner of Ferrellgas, L.P., acquired all of the outstanding common stock of Blue Rhino Corporation in an all-cash merger. Pursuant to an Agreement and Plan of Merger dated February 8, 2004, a subsidiary of FCI Trading merged with and into Blue Rhino Corporation whereby the then current stockholders of Blue Rhino Corporation were granted the right to receive a payment from FCI Trading of $17.00 in cash for each share of Blue Rhino Corporation common stock outstanding on April 20, 2004. FCI Trading thereafter became the sole stockholder of Blue Rhino Corporation and immediately after the merger, FCI Trading converted Blue Rhino Corporation into a limited liability company, Blue Rhino LLC.

Pursuant to a Contribution Agreement dated February 8, 2004, FCI Trading contributed on April 21, 2004 all of the membership interests in Blue Rhino LLC to Ferrellgas, L.P. through a series of transactions and Ferrellgas, L.P. assumed FCI Trading's obligation under the Agreement and Plan Of Merger to pay the $17.00 per share to the former stockholders of Blue Rhino Corporation together with other specific obligations. In consideration of this contribution, Ferrellgas Partners issued 195,686 common units to FCI Trading. Ferrellgas Partners, Ferrellgas, L.P. and FCI Trading have agreed to indemnify our general partner from any damages incurred by our general partner in connection with the assumption of any of the obligations described above. Also on April 21, 2004, subsequent to the contribution described above, Blue Rhino LLC merged with and into Ferrellgas, L.P. The contribution of the membership interests in Blue Rhino LLC to Ferrellgas, L.P. is not expected to be taxable for U.S. Federal income tax purposes.

In addition to the payment of $17.00 per share to the former stockholders of Blue Rhino Corporation, each vested stock option and warrant that permits its holder to purchase common stock of Blue Rhino Corporation that was outstanding immediately prior to the merger was converted into the right to receive a cash payment from Blue Rhino Corporation equal to the difference between $17.00 per share and the applicable exercise price of the stock option or warrant. Unvested options and warrants not otherwise subject to automatic accelerated vesting upon a change in control vested on a pro rata basis through April 19, 2004, based on their original vesting date. The total payment to the former Blue Rhino Corporation stockholders for all common stock outstanding on April 20, 2004 and for those Blue Rhino Corporation options and warrants then outstanding was approximately $343million. A press release regarding the merger and contribution was issued by us on April 20, 2004 and is filed as Exhibit 99.2 to this Current Report and is hereby incorporated by reference into this description.

The consideration paid and preliminary purchase price allocation based upon estimated fair values for the Blue Rhino LLC contribution are as follows (in thousands):

Pro forma purchase price--	
Assumption of liability for cash settlement of merger obligation	$318,443
Assumption of obligation related to stock option and warrant plan of Blue Rhino LLC	24,971
Limited partner and general partner interests issued in exchange for contribution of membership interests of Blue Rhino LLC to Ferrellgas Partners and Ferrellgas, L.P. (see footnotes b, c and d below)	8,700
Assumption of liability related to replacement of Mr. Prim's employment agreement	2,500
Estimated acquisition-related costs and expenses, including fees for consultants, attorneys, accountants and other out-of-pocket costs	1,700
Assumption of Blue Rhino LLC debt outstanding on bank credit facility	37,900
Total pro forma purchase price	$394,214
Allocation of purchase price--	
Net working capital	$ 26,114
Property, plant and equipment	73,120
Identifiable intangible assets, including customer lists, trademarks, patents, and non-compete agreements	176,282
Goodwill	120,351
Other assets	1,064
Long-term debt	(707)
Other liabilities and deferred credits	(2,010)
Total pro forma allocation of purchase price	$ 394,214

The foregoing pro forma purchase price is based upon the actual amounts to be paid, fair values of liabilities to be assumed and estimated remaining transaction-related costs. The preliminary purchase price allocation is based on available information and certain assumptions that management considers reasonable. The pro forma allocation of purchase price will be based upon a final determination of the fair market value of the net assets contributed at closing as determined by valuations and other studies that are not yet complete. The final purchase price allocation may differ from the preliminary allocation.

b. Contribution of $2.0 million by the general partner to Ferrellgas, L.P. - At closing, the general partner will contribute its membership interests in Blue Rhino LLC to maintain its required 1.0101% general partnership interest in Ferrellgas, L.P.

c. Contribution of $2.0 million by the limited partner to Ferrellgas, L.P. - At closing, the limited partner will contribute to Ferrellgas, L.P. its membership interests in Blue Rhino LLC.

d. Issuance of $4.7 million of a limited partner interest to the limited partner for the contribution to Ferrellgas, L.P. of its membership interests in Blue Rhino LLC.

4. The pro forma adjustment to prepaid expenses and other current assets reflect the elimination of the deferred income tax asset on Blue Rhino LLC assets contributed to Ferrellgas, L.P. The remaining deferred income tax asset is related to Blue Rhino LLC assets contributed to a taxable subsidiary of Ferrellgas, L.P.

5. The pro forma adjustment to property, plant and equipment (in thousands):

Allocation of purchase price to property, plant and equipment	$ 73,120
Contribution of land from limited partner	3,150
Elimination of historical cost of property, plant and equipment of Blue Rhino LLC	(85,499)
Pro forma adjustment	$ (9,229)

6. The pro forma adjustment to goodwill (in thousands):

Goodwill associated with Blue Rhino LLC contribution	$120,351
Elimination of historical cost of goodwill of Blue Rhino LLC	(61,867)
Pro forma adjustment	$ 58,484

7. The pro forma adjustment to intangible assets, net (in thousands):

Intangible asset - trademarks associated with Blue Rhino LLC contribution	$83,800
Intangible asset - customer list associated with Blue Rhino LLC contribution	75,644
Intangible asset - patents associated with Blue Rhino LLC contribution	7,377
Intangible asset - noncompete agreements associated with Blue Rhino LLC contribution	3,707
Intangible asset - other intangible assets associated with Blue Rhino LLC contribution	5,754
Elimination of historical cost of intangibles of Blue Rhino LLC	(1,254)
Pro forma adjustment	$175,028

8. The pro forma adjustment to other assets reflects the debt issuance costs incurred related to the $250 million senior notes (described in footnote 11).

9. The pro forma adjustment to other current liabilities reflects the repayment of some of Blue Rhino LLC's other current liabilities with proceeds remaining from Ferrellgas Partners' issuance of common units.

10. The pro forma adjustment to short-term borrowings reflects the reduction in borrowings with the proceeds remaining from Ferrellgas Partners' issuance of common units.

11. The pro forma adjustment to long-term debt (in thousands):

Issuance of the $250 million senior notes net of discount	$249,093
Elimination of Blue Rhino LLC debt with proceeds from the issuance by Ferrellgas Partners of common units	(32,650)
Reduction of Ferrellgas, L.P.'s credit facility borrowings classified as long-term with proceeds from the issuance by Ferrellgas Partners of common units	(30,752)
Pro forma adjustment	$185,691

12. The pro forma adjustment to other liabilities and deferred credits reflect the elimination of some of the deferred income tax liability on Blue Rhino LLC assets contributed to Ferrellgas L.P. The remaining deferred income tax liability is related to Blue Rhino LLC assets contributed to a taxable subsidiary of Ferrellgas, L.P.

13. The pro forma adjustments reflect the elimination of Blue Rhino Corporation's stockholders' equity accounts.

14. The pro forma adjustments to the limited partner's capital (in thousands):

Blue Rhino LLC contribution	$192,064
Limited partner interest issued in exchange for contributed membership interests of Blue Rhino LLC	6,673
Pro forma adjustments	$198,737

15. The pro forma adjustments to the general partner's capital reflects the contribution from the general partner of its membership interests in Blue Rhino LLC (described in footnote 3).

16. The pro forma adjustment to cost of goods sold reflects the change in accounting policy for the purchase of cylinders and associated valves. Blue Rhino Corporation's accounting policy expensed the cost of upgrading cylinder valves and classified it as cost of goods sold. Blue Rhino Corporation capitalized the cost of purchased cylinders and depreciated cylinders over 25 years. Ferrellgas L.P.'s accounting policy will result in the capitalization of such valve costs and their depreciation over 2 years. The cost of purchased cylinders will be depreciated over 20 years.

17. The pro forma adjustment to depreciation and amortization expense for the six months ended January 31, 2004 (in thousands):

Elimination of historical depreciation and amortization expense of Blue Rhino LLC	$(5,132)
Additional depreciation and amortization expense reflecting the preliminary allocation of purchase price:	
Depreciation of amount allocated to property, plant and equipment	3,482
Depreciation of amount allocated to cylinders and associated valves	6,400
Amortization of amount allocated to customer list (15 year life)	2,251
Amortization of amount allocated to patents (5 year life)	738
Amortization of amount allocated to noncompete agreements (6 year life)	309
Amortization of amount allocated to other intangible assets (3-6 year life)	2,536
Pro forma adjustment	$10,854

18. The pro forma adjustment to interest expense for the six months ended January 31, 2004 (in thousands):

Elimination of Blue Rhino LLC interest expense	$1,261
Elimination of interest related to repayment of a portion of the Ferrellgas, L.P. credit facility at the existing average 3.4% interest rate	797
Additional interest expense related to--	
Issuance of $250 million senior notes net of discount	(8,483)
Amortization of debt issuance costs related to the $250 million senior notes	(280)
Pro forma adjustment	$(6,705)

The elimination of interest expense related to the Ferrellgas, L.P. credit facility was determined based on:

- repayment of $46.9 million of existing indebtedness from proceeds of Ferrellgas Partners' issuance of common units; and
- an average interest rate of 3.4%.

19. The pro forma adjustment to the provision for income taxes reflects that Ferrellgas, L.P. is not subject to income tax and the contribution of some of the assets of Blue Rhino LLC into a taxable subsidiary of Ferrellgas, L.P.

20. The pro forma adjustment to depreciation and amortization expense for the fiscal year ended July 31, 2003 (in thousands):

Elimination of historical depreciation and amortization expense of Blue Rhino LLC	$(9,261)
Additional depreciation and amortization expense reflecting the preliminary allocation of purchase price:	
Depreciation of amount allocated to property, plant and equipment	6,959
Depreciation of amount allocated to cylinders and associated valves	9,700
Amortization of amount allocated to customer list (15 year life)	5,043
Amortization of amount allocated to patents (5 year life)	1,475
Amortization of amount allocated to noncompete agreements (6 year life)	618
Amortization of amount allocated to other intangible assets (3-6 year life)	5,073
Pro forma adjustment	$19,607

21. The pro forma adjustment to interest expense for the fiscal year ended July 31, 2003 (in thousands):

Elimination of Blue Rhino LLC interest expense	$7,784
Elimination of interest related to repayment of a portion of the Ferrellgas, L.P. credit facility at an average interest rate of 3.8%	1,782
Additional interest expense related to--	
Issuance of $250 million senior notes net of discount	(16,966)
Amortization of debt issuance costs related to the senior notes	(561)
Pro forma adjustment	$(7,961)

The elimination of interest expense related to the Ferrellgas, L.P. credit facility was determined based on

- repayment of $46.9 million of existing indebtedness from proceeds of Ferrellgas Partners' issuance of common units; and
- an average interest rate of 3.8%.

22. The following forecast information has not been included in these unaudited pro forma condensed combined financial statements but is presented as follows to provide additional information about the Blue Rhino LLC contribution.

Ferrellgas, LP. believes that:

- Blue Rhino LLC's counter-seasonal business activities and anticipated future growth will provide Ferrellgas, L.P. with the ability to better utilize its seasonal resources;
- its over 600 retail locations will provide Blue Rhino LLC with a network that complements its existing distributor network;
- it will achieve cost savings from the elimination of duplicative general and administrative expenses, specifically insurance costs and expenses related to Blue Rhino LLC's former status as a publicly-held company; and
- Blue Rhino LLC will achieve savings by Ferrellgas, L.P.'s provision of propane procurement, storage and transportation logistics.

Ferrellgas L.P. believes that these cost saving opportunities can eliminate approximately $3 million of annual operating expense and $4 million of general and administrative expense from the operations of Blue Rhino LLC based on the fiscal year used in the unaudited pro forma condensed combined statement of earnings.

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the or this "Agreement") is made and entered into on the 8th day of February, 2004, by and among FERRELLGAS, INC. ("FGI"), a corporation organized and existing under the laws of the State of Delaware; FERRELL COMPANIES, INC. ("FCI"), a corporation organized and existing under the laws of the state of Kansas, (FGI and FCI are each referred to in this Agreement individually as the "Company" or collectively as the "Companies," as the context so requires), and BILLY D. PRIM (the "Executive"), an individual residing at Winston-Salem, North Carolina.

R E C I T A L S:

FGI is a wholly-owned subsidiary of FCI. FGI serves as the general partner of Ferrellgas Partners, L.P., a Delaware limited partnership ("Ferrellgas Partners"), and Ferrellgas, L.P., a Delaware limited partnership ("Ferrellgas"). Ferrellgas Partners and Ferrellgas are referred to in this Agreement collectively as the "Partnerships." The Partnerships are engaged primarily in the sale, distribution and marketing of propane gas and related products. The Companies, through the Partnerships, conduct such business throughout the United States.

The Companies, through the Partnerships, have expended a great deal of time, money, and effort to develop and maintain proprietary Confidential Information which, if misused or disclosed, could be harmful to the Business. The success of the Companies depends to a substantial extent upon the protection of the Confidential Information and customer goodwill by all of their employees and the employees of the Partnerships.

The Executive has heretofore been employed as the President and Chief Executive Officer of Blue Rhino Corporation ("BRC"). The Board of Directors of BRC, FCI Trading Corp. ("Parent"), a Delaware corporation and an affiliate of the Companies, and Ferrell Companies, Inc. (the "Ultimate Parent"), a Kansas corporation and an affiliate of the Companies, have deemed it advisable and in the best interest of their respective equity holders to consummate a business combination in which Diesel Acquisition LLC, a Delaware limited liability company ("Merger Sub") and an affiliate of the Companies, will merge with and into BRC and BRC, being the surviving entity in the Merger (the "Merger"), will thereby become a direct wholly-owned subsidiary of Parent. The Companies and the Executive have agreed to enter into this Agreement to provide for the employment of the Executive following the Merger.

The Executive desires to be eligible for other opportunities within the Companies and/or compensation increases which otherwise would not be available to the Executive and to be given access to Confidential Information of the Companies and the Partnerships which is necessary for the Executive to perform his duties, but which the Companies would not make available to the Executive but for the Executive's signing and agreeing to abide by the terms of this Agreement as a condition of the Executive's employment with the Companies.

The Executive recognizes and acknowledges that the Executive's position with the Companies will provide the Executive with access to Confidential Information of the Companies and the Partnerships.

The Companies compensate their employees to, among other things, develop and preserve goodwill with their customers on each respective Company's behalf and business information for each respective Company's ownership and use.

NOW, THEREFORE, in consideration of the mutual covenants and obligations herein and the compensation the Companies agree herein to pay the Executive, and of other good and valuable consideration, the receipt of which is hereby acknowledged, the Companies and the Executive agree as follows:

ARTICLE 1

DEFINITIONS

Wherever used in this Agreement, including the Recitals and this ARTICLE 1, the following terms shall have the meanings set forth below (unless otherwise indicated by the context):

1.1 "Base Salary" means the base annual salary payable to the Executive as provided in Section 5.1. The initial Base Salary shall be $600,000.

1.2 "Board" means the Board of Directors of FGI.

1.3 "Business" means any business, service or product engaged in, provided or produced by the Companies, including, but not limited to, the retail sale and wholesale of propane, the propane cylinder exchange business, the manufacturing or sale of any product lines from the Blue Rhino division of Ferrellgas (the "Blue Rhino Division"), including, mosquito extermination devices, propane powered heat lamps, and gas grills, and any other business in which the Blue Rhino Division engages.

1.4 "Change of Control" means the earliest of the following dates:

(a) The date any person shall have become the beneficial owner of fifty-one percent (51%) or more of the outstanding common stock of the Company.

(b) The date the shareholders of the Company approve a definitive

agreement (A) to merge or consolidate the Company with or into another corporation, in which the Company is not the continuing or surviving corporation or pursuant to which any shares of common stock of the Company would be converted into cash, securities or other property of another corporation, other than a merger of the Company in which holders of common stock of the Company immediately prior to the merger will beneficially own at least seventy percent (70%) of the voting securities of the surviving corporation immediately after the merger, or (B) to sell or otherwise dispose of substantially all of the assets of the Company, or (C) a plan of complete liquidation or winding up of the Company; or

(c) The date there shall have been a change in a majority of the Board of Directors of the Company within a twelve-month period unless the nomination for election by the Company's shareholders of each new director was approved by the vote of two-thirds of the directors then still in office who were in office at the beginning of the twelve-month period.

(For purposes of this Section 1.4, the term "person" shall mean any individual, corporation, partnership, group, association or other person, as such term is defined in Section 13(d)(3) or Section 14(d)(2) of the Securities Exchange Act of 1934, as amended, other than the Company, a subsidiary of the Company or any employee benefit plan(s) sponsored or maintained by the Company or any subsidiary thereof, and the term "beneficial owner" shall have the meaning given the term in Rule 13d-3 under the Exchange Act.)

In no event shall the Merger constitute a Change of Control for purposes of this Agreement.

1.5 "Companies" means collectively Ferrellgas, Inc. ("FGI"), a Delaware corporation, and Ferrell Companies, Inc. ("FCI"), a Kansas corporation. "Company" means each of FGI and FCI individually.

1.6 "Compensation Continuance Period" means the one-year period commencing on the first day of the calendar month next following the calendar month in which the Termination Date occurs.

1.7 "Compensation Continuance Termination Event" means the termination of the Executive's employment by the Company without cause (Section 4.6), by the Executive for Good Reason (Section 4.4) or by the expiration of the Term.

1.8 "Confidential Information" means all information, observations and data (whether in human or machine readable form) obtained by the Executive while employed by the Companies concerning the business or affairs of the Companies, a Partnership, or any other affiliate, including any information pertaining to the Business which is not generally known in the propane industry, including, but not limited to, trade secrets, internal processes, designs, design information, products, inventions, innovations, improvements, developments, methods, designs, analyses, drawings, reports, and all similar or related information which related or relates to the Companies' actual or anticipated business, research and development or existing or future products or services and which are conceived, developed or made by the Executive, whether prior to or during the Term, data, research and development plans and activities, equipment modifications, techniques, software and computer programs and derivative works, business and marketing plans, projections, sales data and reports, confidential evaluations, compilations and/or analyses of technical or business information, profit margins, customer requirements, costs, profitability, sales and marketing strategies, pricing policies, strategic plans, training materials, internal financial information, operating and financial data and projections, names and addresses of customers, inventory lists, sources of supplies, supply lists, employee lists, mailing lists, and information concerning relationships between any Company or Partnership and their employees or customers which gives or may give the Companies or the Partnerships an advantage over competitors, and all other information owned by the Companies which is not public information.

1.9 "Customers" means and includes any and all Persons who are customers, patrons or distribution partners of the Companies or the Partnerships with respect to the Business.

1.10 "For Cause" means one or more of the following: (i) the conviction of Executive by a court of competent jurisdiction of, or entry of a plea of nolo contendere with respect to, a felony or any other crime, which other crime involves fraud, dishonesty or moral turpitude; (ii) fraud or embezzlement on the part of the Executive from the Company; (iii) the material breach by the Executive of any of Article 11 hereof; (iv) any act of moral turpitude or willful misconduct by the Executive which has an adverse impact on the Business or reputation of the Companies; (v) a violation of a material term of this Agreement; (vi) a material violation of any statutory fiduciary duty or common law fiduciary duty of the Executive to the Companies with respect to his obligations to the Companies; (vii) failure by the Executive to meet the reasonable expectations of the Chief Executive Officer of the Companies in fulfilling his duties, after written notice and sixty (60) days to cure such failure.

1.11 "Good Reason" means any of the following:

(a) The Executive's resignation from the employment of the Companies on account of the failure by the Board to reelect or reappoint the Executive to a responsible executive position in the Companies or any of its affiliates and the Executive then elects to leave the Companies' employment within three (3) months of such failure to so reelect or reappoint the Executive;

(b) The Executive's resignation from the employment of the Companies on account of a material modification by the Board of the duties, functions and responsibilities of the Executive as Executive Vice President of FGI without his consent within three (3) months of such modification; provided further, that in the event of a Change of Control, the change in the Executive's title and/or a change in the level of management to which the Executive reports, shall not, in and of itself, be deemed to constitute a material modification of the Executive's duties and responsibilities; or

(c) The Executive's resignation from the employment of the Companies on account of any material breach of a provision of this Agreement by the Companies, which breach is not cured within sixty (60) days after notice has been given to the Companies by the Executive. Without limiting the generality of the foregoing sentence, the Companies shall be in material breach of its obligations hereunder if, for example, the Executive shall at any time be required to report to anyone other than directly to the Chief Executive Officer of FGI, except as provided for in subsection (b), or the Companies cause the Executive to relocate his residence from Winston-Salem, North Carolina or makes it impractical for him to continue to reside there or causes him to reside away from there for extended periods of time, or the Companies shall fail to make a payment when due to the Executive.

1.12 "Person" means any individual, partnership, joint venture, corporation, company, firm, group or other entity.

1.13 "Products" means propane gas cylinders and any other products of the Companies and the Blue Rhino Division, including mosquito extermination devices, propane powered heat lamps, and gas grills.

1.14 "Term" means the term of the Executive's employment under this Agreement as provided in Section 4.1.

1.15 "Termination Date" means the date the Term expires pursuant to the provisions of ARTICLE 4.

1.16 "Time Period" means the Term and the thirty-six-month period next following the expiration of the Term.

1.17 "Total Disability" means and occurs as of the date the Board has determined that the Executive is unable to perform the essential functions of his duties, even with reasonable accommodation, due to a mental or physical illness or incapacity for a period of more than (i) twelve (12) consecutive weeks or (ii) 75% of the business days in any 120-day period.

1.18 "Trade Area" means the United States of America or any other country in which the Companies conduct or have made any material investment in plans to conduct the Business on the date of the Executive's termination.

ARTICLE 2

EMPLOYMENT OF EXECUTIVE

Subject to the terms and conditions set forth in this Agreement and conditional upon the consummation of the Merger, the Companies hereby employ the Executive and the Executive hereby accepts such employment for the period stated in ARTICLE 4 of this Agreement.

ARTICLE 3

POSITION, RESPONSIBILITIES AND DUTIES

3.1 Position and Responsibilities. During the Term (as defined in Sections 1.15 and 4.1), the Executive shall serve as Executive Vice President of FGI and as the Chief Executive Officer of the Blue Rhino Division of Ferrellgas on the conditions herein provided. The Executive shall supervise and control, and be responsible for the general management of the Blue Rhino Division, and shall provide such other executive services in the general management and operation of the Company's Business not inconsistent with his position and the provisions of Section 3.2 as shall be assigned to him from time to time by the Board.

3.2 Duties. In addition to having the responsibilities described in Section 3.1, during the Term, the Executive shall also perform the duties and responsibilities customarily incident to the position of Executive Vice President of FGI and as are consistent with each Company's Bylaws, as now existing or hereafter amended, and the directives of the Chief Executive Officer of FGI. The Executive shall report directly to the Chief Executive Officer of FGI. The Chief Executive Officer of FGI shall, as soon as practicable, nominate the Executive to serve on the Board, recommend to the members of the Board the election of the Executive to the Board and use his best efforts to have the Executive elected to the Board. The duties and responsibilities of the Executive shall include, but not be limited to, the following:

(i) serving as the Chief Executive Officer of the Blue Rhino Division;

(ii) providing strategic direction for growth and profitability of the Blue Rhino Division;

(iii) providing leadership for the integration of the Blue Rhino Division into Ferrellgas;

(iv) materially participating on the Executive Committee of Ferrellgas, to include periodic trips to Kansas City;

(v) materially participating in company wide meetings; and

(vi) such other senior management activities as may be reasonably required by the Board.

During the Term and except for illness, reasonable vacation periods, and reasonable leaves of absence, the Executive shall devote his full business time, attention, skill, energies and efforts to the faithful performance of his duties hereunder and to the business and affairs of the Companies and any subsidiary or affiliate of the Companies and shall not during the Term be employed in any other business activity, whether or not such activity is pursued for gain, profit or other pecuniary advantage; provided, however, that, (i) with the approval of the Board, the Executive may serve, or continue to serve, on the boards of directors of, and hold any other offices or positions in, companies or organizations, which, in the Board's judgment, will not present any conflict of interest with the Companies or any of its subsidiaries or affiliates or divisions, or materially affect the performance of the Executive's duties pursuant to this Agreement and (ii) the Executive shall not be prevented from investing his personal assets in any business which does not compete with the Companies or with any subsidiary or affiliate of the Companies, where the form or manner of such investment will not require substantial services on the part of the Executive in the operation of the business in which such investment is made. Notwithstanding the foregoing, the duties of the Executive (i) shall not be materially expanded without the Executive's prior approval; and (ii)shall not require him to relocate his residence from Winston-Salem, North Carolina as a result of the Companies moving the Executive's office greater than fifty (50) miles away from the principal office of the Blue Rhino Division as of the date of this Agreement, and shall not make it impractical for him to continue to reside at his current residence or cause him to reside away from there for extended periods of time.

3.3 Location of Blue Rhino Division. The parties agree that the Blue Rhino Division shall at all times be based in Winston-Salem, North Carolina.

ARTICLE 4

TERM

4.1 Term of Employment. The Term shall commence as of the Effective Time of the Merger (as such term is defined in the Agreement and Plan of Merger among the Parent, the Merger Sub, the Ultimate Parent and BRC dated as of February 8, 2004), and shall continue until the earliest to occur of the following: (i) the day immediately preceding the third (3rd) anniversary of the Effective Time of the Merger (except as otherwise provided in this Section 4.1)(such three year period shall be referred to as the "Initial Term"); (ii) the date of death of the Executive; (iii) the specified date of termination under the Notice Exception (as defined in Section 4.2); (iv) the date of termination under the Cause Exception (as defined in Section 4.3); (v) the date the Executive terminates his employment for Good Reason; (vi) the date of termination as a result of the Executive's Total Disability; or (vii) the date of termination under the Without Cause provision (as defined in Section 4.6). (Each twelve month period beginning on the anniversary of the Effective Time of the Merger and each anniversary thereafter, is sometime referred to herein as an "Employment Year.") Notwithstanding the provisions of subparagraph (i), the Term shall be extended automatically, without any further action by the Company or the Executive, for successive twelve (12) month periods (each an "Extension Period") following the end of the Initial Term, or any succeeding twelve (12) month Extension Period (unless terminated as provided in this Section 4.1). If either party hereto desires for the Term to expire at the end of the Initial Term, or at the end of any Extension Period, such party shall give notice to the other party of such desire no later than sixty (60) days prior to the end of the Initial Term or Extension Period (as applicable). All references to the "Term" shall include the Initial Term and all Extension Periods. The parties acknowledge that this Agreement is void if the Merger is not consummated.

4.2 Termination by Giving Notice. If the Executive desires to terminate his employment prior to the expiration of the Term, he shall give not less than sixty (60) days written notice of such desire to the Companies specifying the date of termination (the "Notice Exception").

4.3 Termination for Cause, Automatic Termination. The Companies shall at all times have the right to discharge the Executive For Cause (the "Cause Exception"), in accordance with Section 1.10.

4.4 Good Reason. The Executive may terminate his employment at any time for Good Reason. If the Executive desires to terminate his employment for Good Reason, he shall give notice to the Company as provided in Section 4.7.

4.5 Death or Total Disability. This Agreement will be immediately terminated upon the death or Total Disability of the Executive.

4.6 Without Cause. The Companies shall at all times have the right to terminate this Agreement without cause. In the event of a termination without cause, the Companies will give not less than sixty (60) days notice of termination. The Companies reserve the right to relieve the Executive of his duties any time during the 60-day notice period without affecting his right to compensation and other benefits during this notice period.

4.7 Notice of Termination. Any termination by the Companies or by the Executive for Good Reason shall be communicated by Notice of Termination to the other party hereto. For purposes of Sections 4.3, 4.4 and 4.5 and 4.6, a "Notice of Termination" means a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated and (iii) if the termination date is other than the date of receipt of such notice, specifies the effective date of termination.

ARTICLE 5

COMPENSATION

For all services rendered by the Executive during the Term, including without limitation, services as an executive, officer, director (except fees and reimbursements to which all members of the Board, or a subsidiary or affiliate of the Companies, are generally entitled) or member of any committee of the Companies or of any subsidiary, affiliate, or division thereof, the Companies shall pay the Executive as compensation the following:

5.1 Base Salary. The Executive shall be paid for his services during the Term the Base Salary, payable in appropriate installments to conform with regular payroll dates for salaried personnel of the Companies. The Executive's Base Salary shall be reviewed by the Board each Employment Year and may be increased each Employment Year at the discretion of the Board.

5.2 Discretionary Bonus. In addition to the Base Salary provided for in Section 5.1, the Executive shall be entitled to such bonus or bonuses, if any, as may be awarded to the Executive from time to time by the Chief Executive Officer of FGI. Any such discretionary bonus shall be payable in cash in the manner specified by the Chief Executive Officer of FGI at the time any such bonus is awarded and may not exceed fifty percent (50%) of the Executive's Base Salary. The Executive must be employed by the Companies on the date that said bonus is paid by the Companies in order to remain eligible for payments under this Section 5.2.

5.3 Incentive Bonus. In addition to the Base Salary provided for in Section 5.1, the Executive shall be entitled to receive an incentive bonus based on the Executive meeting established cash flow targets of the Blue Rhino Division, as determined at the beginning of each fiscal year of FGI by the Board. In the event the first Employment Year of the Executive's employment hereunder shall commence after the start of FGI's fiscal year, the Executive shall be entitled to receive an incentive bonus based on the Executive meeting established cash flow targets of the Blue Rhino Division, as determined by the Board for the remainder of such fiscal year. Any such incentive bonuses shall be payable in cash as soon as practicable following the close of the fiscal year of FGI and may not exceed fifty percent (50%) of the Executive's Base Salary. In the event of a Compensation Continuance Event, the Executive shall be entitled to receive a pro-rata incentive bonus, to be paid after the final accounting is performed at the end of the fiscal year of FGI in which the Termination Date occurs.

5.4 Payment for Non-Competition and Non-Solicitation. As separate and distinct consideration for the obligations imposed on the Executive in Article 11.3 of this Agreement, the Company agrees to make a one-time lump sum payment of Two Million Five Hundred Thousand Dollars ($2,500,000.00) to the Executive at the Effective Time of the Merger.

5.5 Incentive Compensation Plan. In addition to the Base Salary provided for in Section 5.1, the Executive shall be entitled to participate in the Company's 1998 Incentive Compensation Plan (the "ICP") and receive such awards as may be granted to the Executive from time to time under the ICP. Any such awards shall be granted in the manner specified in the ICP. Subject to approval by the Board, the Executive shall be eligible to receive, in accordance with the terms of the ICP (subject to adjustment for stock splits and the like) stock options to purchase 250,000 shares of FCI on a 12-year vesting schedule and at an exercise price to be determined by the Board.

5.6 Other Plans. In addition to the Base Salary, bonuses and awards provided for in Sections 5.1, 5.2, 5.3, 5.4, and 5.5, the Executive shall be entitled to participate in any other bonus or incentive plans of the Companies (whether now in existence or hereinafter established) in which other senior executives of the Companies are entitled to participate.

ARTICLE 6

REIMBURSEMENT OF EXPENSES, OFFICE AND SECRETARIAL ASSISTANCE

The Companies recognize that the Executive will incur, from time to time, expenses for the benefit of the Companies and in furtherance of the Companies' business, including, but not limited to, expenses for entertainment, travel and other business expenses consistent with the Companies' past practices. During the Term and any Compensation Continuance Period, the Executive will be reimbursed for his reasonable expenses incurred for the benefit of the Companies in accordance with the general policy of the Companies as adopted from time to time by the Board. To receive such reimbursement, the Executive must present to the Companies an itemized accounting, in such detail as the Companies may reasonably request, of such expenditures. In the event of the termination of the Executive's employment for any reason, the Companies shall reimburse the Executive (or in the event of death, his personal representative) for expenses incurred by the Executive on behalf of the Companies prior to the Termination Date to the extent such expenses have not been previously reimbursed by the Companies. The Companies further agree to furnish the Executive during the Term with an office and such secretarial assistance as shall be suitable to the character of the Executive's position with the Companies and adequate for the performance of his duties hereunder.

ARTICLE 7

VACATION and SICK LEAVE

The Executive shall be entitled to reasonable periods of vacation and sick leave during each Employment Year, commensurate with his position and in accordance with the Companies' established policy for senior executives. The Executive shall continue to receive the compensation provided for in ARTICLE 5 during the time of his vacation and sick leave.

ARTICLE 8

OTHER EMPLOYEE BENEFITS.

The Executive shall be entitled to participate in any and all retirement, health, disability, life insurance, long-term disability insurance, nonqualified deferred compensation and tax-qualified retirement plans or any other plans or benefits offered by the Company to its senior executives generally, if and to the extent the Executive is eligible to participate in accordance with the terms and provisions of any such plan or benefit program. Nothing in this ARTICLE 8 is intended, or shall be construed, to require the Company to institute or maintain any particular plan, program or benefit. Benefits payable pursuant to this Agreement shall be in addition to benefits payable to the Executive under all other employee benefit plans or programs of the Company.

ARTICLE 9

TERMINATION COMPENSATION.

9.1 Monthly Compensation. Upon the expiration of the Term for any reason, the Executive shall be entitled to continue to receive his Base Salary through the last day of the month in which the Termination Date occurs, except in the event the Executive is terminated For Cause, he shall not be entitled to any further compensation or benefits beyond the Termination Date.

9.2 Compensation Continuance. In addition to the compensation provided for in Section 9.1, upon the occurrence of a Compensation Continuance Termination Event, the Executive (or in the event of his subsequent death, his surviving spouse) shall be entitled to continue to receive his Base Salary (as increased each year in the manner provided in Section 5.1) during the Compensation Continuance Period.

ARTICLE 10

SPECIAL PROVISIONS RELATING TO STOCK OPTIONS.

10.1 Vested Blue Rhino Options Granted Prior to Effective Time of Merger. The Executive shall be entitled to receive from the Company an amount, with respect to each outstanding option to acquire the common stock of BRC which has become fully vested as of the Effective Time of the Merger, equal to the difference between (1) and (2), where (1) is $17.00 multiplied by the number of shares of BRC common stock subject to the vested option, and (2) is the aggregate purchase price for the BRC common stock subject to the vested option as set forth in the award or similar agreement granting such option. Payment of such amount shall be made to the Executive in cash in a lump sum as soon as practicable after the Effective Time of the Merger.

10.2 Non-Vested Options Blue Rhino Options Granted Prior to Effective Time of Merger. If the Executive remains an employee of the Company through the day immediately preceding the third (3rd) anniversary of the Effective Time of the Merger, the Executive shall be entitled to receive from the Company an amount, with respect to each outstanding option to acquire the common stock of BRC which was not fully vested as of the Effective Time of the Merger, equal to the difference between (1) and (2) where (1) is $17.00 multiplied by the number of shares of BRC common stock subject to the non-vested option, and (2) is the aggregate purchase price for the BRC common stock subject to the non-vested option as set forth in the award or similar agreement granting such non-vested option. Payment of such amount shall be made to the Executive in cash in a lump sum as soon as practicable following the third (3rd) anniversary of the Effective Time of the Merger. Notwithstanding the foregoing, if, prior to the third anniversary of the Effective Time of the Merger, the Executive terminates this Agreement for Good Reason or the Company terminates this Agreement without cause, the Executive shall be entitled to the payments set forth in this Section 10.2, as soon as practical following the Termination Date.

ARTICLE 11

EXECUTIVE'S OBLIGATIONS

All payments and benefits to the Executive under this Agreement shall be subject to the Executive's compliance with the following provisions during the Term and, except as otherwise provided in this ARTICLE 11, following the termination of the Executive's employment:

11.1 Assistance in Litigation. The Executive shall, upon reasonable notice, furnish such information and assistance to the Company as may reasonably be required by the Company in connection with any litigation in which it is, or may become, a party, and which arises out of facts and circumstances known to the Executive. The Company shall promptly reimburse the Executive for his out-of-pocket expenses incurred in connection with the fulfillment of his obligations under this Section.

11.2 Confidential Information. The Executive acknowledges that all Confidential Information has a commercial value in the Companies' Business and is the sole property of the Companies. The Executive agrees that he shall not disclose or reveal, directly or indirectly, to any unauthorized person any Confidential Information, and the Executive confirms that such information constitutes the exclusive property of the Companies; provided, however, that the foregoing shall not prohibit the Executive from disclosing such information to third parties or governmental agencies in furtherance of the interests of the Companies or as may be required by law.

11.3 Non-Competition and Non-Solicitation.

(a) The Executive acknowledges that in the course of his employment with the Companies he will become familiar with Confidential Information and that his services will be of special, unique and extraordinary value to the Companies. Therefore, the Executive agrees that, during the Time Period, the Executive shall not directly or indirectly own, manage, control, or engage in any business with any Person (including by himself or in association with any Person, firm, corporate or other business organization or through any other entity) whose business is substantially similar to any segment of the Business in which the Companies engage, as such Business exists or is in process on the date of the termination of the Executive's employment, within the Trade Area.

(b) During the Time Period, the Executive shall not invest, directly or indirectly, in any corporation or other entity which is engaged in the Business.

(c) During the Time Period, the Executive shall not directly or indirectly through another entity (i) induce or attempt to induce any employee of the Companies or any affiliate of the Companies to leave the employ of the Companies or such affiliate, or in any way interfere with the relationship between the Companies and any employee thereof, (ii) hire any person who was an employee of the Companies at any time within the six-month period prior to the date of termination of the Executive's employment with the Companies or any affiliate thereof, or (iii) induce or attempt to induce any Customer, supplier, licensee, licensor, franchisee, franchisor or other business relation of the Companies or any affiliate to cease doing business with the Companies or such affiliate, or in any way interfere with the relationship between any such Customer, supplier, licensee, licensor, franchisee, franchisor or business relation and the Companies or any affiliate thereof.

(d) The Companies and the Executive agree that: (i) the covenants set forth in this Section 11.3 are reasonable in geographical and temporal scope and in all other respects, (ii) the Companies would not have entered into this Agreement but for the covenants of the Executive contained herein, and (iii) the covenants contained herein have been made in order to induce the Companies to enter into this Agreement.

(e) If, at the time of enforcement of this Section 11.3, a court or arbiter shall hold that the duration, scope or area restrictions stated herein are unreasonable under circumstances then existing, the parties agree that the maximum duration, scope or area reasonable under such circumstances shall be substituted for the stated duration, scope or area and that the court shall be allowed to revise the restrictions contained herein to cover the maximum period, scope and area permitted by law.

(f) The Executive hereby agrees that he shall at no time either prior to or following expiration of the Time Period use the name "Ferrellgas," "Blue Rhino" or any other name used by the Companies in any business venture unrelated to FGI engaged in by the Executive without the prior written consent of FGI.

11.4 Failure to Comply. In the event that the Executive shall fail to comply with any provision of this ARTICLE 11, and such failure shall continue for ten (10) days following delivery of notice thereof by the Companies to the Executive, all rights of the Executive and any person claiming under or through him to the payments or benefits described in this Agreement shall thereupon terminate and no person shall be entitled thereafter to receive any payments or benefits hereunder. In addition to the foregoing, in the event of a breach by the Executive of the provisions of this ARTICLE 11, the Companies shall have and may exercise any and all other rights and remedies available to the Companies at law or otherwise, including but not limited to obtaining an injunction from a court of competent jurisdiction enjoining and restraining the Executive from committing such violation, and the Executive hereby consents to the issuance of such injunction.

11.5 Accounting for Profits. The Executive covenants and agrees that, if any of the covenants or agreements under this ARTICLE 11 are violated by the Executive, the Companies shall be entitled to an accounting and repayment of all profits, compensation, commissions, remuneration or benefits that the Executive, directly or indirectly, has realized and/or may realize as a result of, growing out of, or in connection with, any such violation; such remedy shall be in addition to and not in limitation of any injunctive relief or other rights or remedies that the Companies are or may be entitled at law, in equity or under this Agreement.

ARTICLE 12

ATTORNEYS' FEES

In the event that the Executive incurs any attorneys' fees in protecting or enforcing his rights under this Agreement, the Companies shall reimburse the Executive for such reasonable attorneys' fees and for any other reasonable expenses related thereto. Such reimbursement shall be made within thirty (30) days following final resolution of the dispute or occurrence giving rise to such fees and expenses. In no event shall the Executive be entitled to receive the benefits provided for in this ARTICLE 11 in the event his employment is terminated by the Company For Cause.

ARTICLE 13

DECISIONS BY COMPANY.

Any powers granted to the Board hereunder may be exercised by a committee, appointed by the Board, and such committee, if appointed, shall have general responsibility for the administration and interpretation of this Agreement.

ARTICLE 14

INDEMNIFICATION.

The Companies shall indemnify the Executive during his employment and thereafter to the maximum extent permitted by applicable law for any and all liability of the Executive arising out of, or in connection with, his employment by the Companies or membership on the Board; provided, that in no event shall such indemnity of the Executive at any time during the period of his employment by the Companies be less than the maximum indemnity provided by the Companies at any time during such period to any other officer or director under an indemnification insurance policy or the bylaws or charter of the Companies or by agreement.

ARTICLE 15

SOURCE OF PAYMENTS; NO TRUST

The obligations of the Companies to make payments hereunder shall constitute a liability of the Companies to the Executive. Such payments shall be from the general funds of the Companies, and the Companies shall not be required to establish or maintain any special or separate fund, or otherwise to segregate assets to assure that such payments shall be made, and neither the Executive nor his designated beneficiary shall have any interest in any particular asset of the Companies by reason of their obligations hereunder. Nothing contained in this Agreement shall create or be construed as creating a trust of any kind or any other fiduciary relationship between the Companies and the Executive or any other person. To the extent that any person acquires a right to receive payments from the Companies hereunder, such right shall be no greater than the right of an unsecured creditor of the Companies.

ARTICLE 16

SEVERABILITY

All agreements and covenants contained herein are severable, and in the event any of them shall be held to be invalid by any competent court, this Agreement shall be interpreted as if such invalid agreements or covenants were not contained herein.

ARTICLE 17

ASSIGNMENT PROHIBITED

This Agreement is personal to each of the parties hereto, and none of the parties may assign nor delegate any of his, its or their rights or obligations hereunder without first obtaining the written consent of the other parties; provided, however, that nothing in this ARTICLE 17 shall preclude the executors, administrators, or other legal representatives of the Executive or his estate from assigning any rights under this Agreement to the person or persons entitled thereto.

ARTICLE 18

NO ATTACHMENT

Except as otherwise provided in this Agreement or required by applicable law, no right to receive payments under this Agreement shall be subject to anticipation, commutation, alienation, sale, assignment, encumbrance, charge, pledge or hypothecation or to execution, attachment, levy, or similar process or assignment by operation of law, and any attempt, voluntary or involuntary, to effect any such action shall be null, void and of no effect.

ARTICLE 19

HEADINGS

The headings of articles, paragraphs and sections herein are included solely for convenience of reference and shall not control the meaning or interpretation of any of the provisions of this Agreement.

ARTICLE 20

GOVERNING LAW

The parties intend that this Agreement and the performance hereunder and all suits and special proceedings hereunder shall be construed in accordance with and under and pursuant to the laws of the State of Missouri and that in any action, special proceeding, or other proceeding that may be brought arising out of, in connection with, or by reason of this Agreement, the laws of the State of Missouri shall be applicable and shall govern to the exclusion of the law of any other forum, without regard to the jurisdiction in which any action or special proceeding may be instituted.

ARTICLE 21

BINDING EFFECT

This Agreement shall be binding upon, and inure to the benefit of, the Executive and his heirs, executors, administrators and legal representatives and the Company and its permitted successors and assigns.

ARTICLE 22

MERGER OR CONSOLIDATION

The Companies will not consolidate or merge into or with another corporation, or transfer all or substantially all of its assets to another corporation (the "Successor Corporation") unless the Successor Corporation shall assume this Agreement, and upon such assumption, the Executive and the Successor Corporation shall become obligated to perform the terms and conditions of this Agreement.

ARTICLE 23

COUNTERPARTS

This Agreement may be executed simultaneously in one or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

ARTICLE 24

ENTIRE AGREEMENT

This Agreement expresses the whole and entire agreement between the parties with reference to the employment of the Executive and, as of the Effective Time of the Merger, supersedes and replaces any prior employment agreement understanding or arrangement (whether written or oral) between the Companies, BRC and the Executive or any of their affiliates, including, without limitation, the Employment Agreement between BRC and the Executive dated May 7, 1999. All such agreements, understandings and arrangements are terminated and are of no force and effect as of the effective date of this Agreement. Each of the parties hereto has relied on his or its own judgment in entering into this Agreement.

ARTICLE 25

NOTICES

All notices, requests and other communications to any party under this Agreement shall be in writing (including telefacsimile transmission or similar writing) and shall be given to such party at its address or telefacsimile number set forth below or such other address or telefacsimile number as such party may hereafter specify for the purpose by notice to the other party:

(a) If to the Executive:

Billy D. Prim
c/o Blue Rhino Corporation
104 Cambridge Plaza Drive
Winston-Salem, North Carolina 27104
Fax Number: (336) 659-6750

(b) If to FGI, to: Ferrellgas, Inc. One Liberty Plaza Liberty, Missouri 64068 Attention: Kenneth A. Heinz

(c) If to FCI, to Ferrell Companies, Inc. One Liberty Plaza Liberty, Missouri 64068 Attention: Kenneth A. Heinz

Each such notice, request or other communication shall be effective (i) if given by mail, 72 hours after such communication is deposited in the mails with first class postage prepaid, addressed as aforesaid or (ii) if given by any other means, when delivered at the address specified in this ARTICLE 25.

ARTICLE 26

MODIFICATION OF AGREEMENT

No waiver or modification of this Agreement or of any covenant, condition, or limitation herein contained shall be valid unless in writing and duly executed by the party to be charged therewith. No evidence of any waiver or modification shall be offered or received in evidence at any proceeding, arbitration, or litigation between the parties hereto arising out of or affecting this Agreement, or the rights or obligations of the parties hereunder, unless such waiver or modification is in writing, duly executed as aforesaid. The parties further agree that the provisions of this ARTICLE 26 may not be waived except as herein set forth.

ARTICLE 27

TAXES

To the extent required by applicable law, the Company shall deduct and withhold all necessary Social Security taxes and all necessary federal and state withholding taxes and any other similar sums required by law to be withheld from any payments made pursuant to the terms of this Agreement.

ARTICLE 28

MITIGATION

The Executive shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise, and, subject to the provisions of ARTICLE 11, any payment or benefit to be provided to the Executive pursuant to this Agreement shall not be reduced by any compensation or other amount earned or collected by the Executive at any time before or after the termination of the Executive's employment.

ARTICLE 29

ARBITRATION

(a) Except as set forth in Section 11.3, arbitration shall be the sole and exclusive remedy for any dispute, claim, or controversy of any kind or nature (a "Claim") arising out of, related to, or connected with the Executive's employment relationship with the Companies, the termination of the Executive's employment relationship with FGI or this Agreement, including any Claim against any parent, subsidiary, or affiliated entity of the Companies, or any director, officer, general or limited partner, employee or agent of the Companies or of any such parent, subsidiary or affiliated entity.

(b) This agreement to arbitrate specifically includes (without limitation) any dispute between or among the parties to this Agreement relating to or in respect of this Agreement, its negotiation, execution, performance, subject matter, or any course of conduct or dealing or actions under or in respect of this Agreement, all claims under or relating to any federal, state or local law or regulation prohibiting discrimination, harassment or retaliation based on race, color, religion, national origin, sex, age, disability or any other condition or characteristic protected by law; demotion, discipline, termination or other adverse action in violation of any contract, law or public policy; entitlement to wages or other economic compensation; and any claim for personal, emotional, physical, economic or other injury.

(c) This agreement to arbitrate does not apply to any legal action by the Companies seeking injunctive relief or damages for breach or enforcement of ARTICLE 11 of the Agreement. This agreement to arbitrate also does not apply to any claims by the Executive: (i) for workers' compensation benefits; (ii) for unemployment insurance benefits; (iii) brought pursuant to the Employee Retirement Income Security Act ("ERISA"); (iv) under a non-ERISA benefit plan where the plan specifies a separate arbitration procedure; (v) filed with an administrative agency which are not legally subject to arbitration under this Agreement; or (vi) which are otherwise expressly prohibited by law from being subject to arbitration under this Agreement.

(d) Any party may demand arbitration by sending notice to the other party as set forth in this Agreement. Any Claim submitted to arbitration shall be decided by a single, neutral arbitrator (the "Arbitrator"). The parties to the arbitration shall mutually select the Arbitrator not later than 45 days after service of the demand for arbitration. If the parties for any reason do not mutually select the Arbitrator within the 45 day period, then any party may apply to any court of competent jurisdiction to appoint a retired judge as the Arbitrator. The parties agree that arbitration shall be conducted in accordance with the American Arbitration Association Rules for the Resolution of Employment Disputes. The Arbitrator shall apply the substantive federal, state, or local law and statute of limitations governing any Claim submitted to arbitration. The arbitration shall take place at a mutually agreeable site in Chicago, Illinois, and shall be conducted within one hundred eighty (180) days of the receipt by a party of the other party's demand for arbitration. The Arbitrator, in making his decision, shall be bound to follow the substantive state and federal laws of jurisprudence as well as the applicable rules of evidence in arriving at a decision. The decision rendered shall be in writing and delivered to the parties within thirty (30) days after the conclusion of the arbitration. The award of the Arbitrator shall be final, and judgment upon the award rendered may be entered and enforced in any court, state or federal, having jurisdiction. In ruling on any Claim submitted to arbitration, the Arbitrator shall have the authority to award only such remedies or forms of relief as are provided for under the substantive law governing such Claim.

(e) Any fees and costs incurred in the arbitration (e.g., filing fees, transcript costs and Arbitrator's fees) will be shared equally by the Executive and the Companies, except that the Arbitrator may reallocate such fees among the parties if the Arbitrator determines that an equal allocation would impose an unreasonable financial burden on the Executive. Subject to the provisions of Article 12, the parties shall be responsible for their own attorneys' fees and costs, except that the Arbitrator shall have the authority to award attorneys' fees and costs to the prevailing party in accordance with the applicable law governing the dispute and the terms of this Agreement.

(f) The Arbitrator, and not any federal or state court, shall have the exclusive authority to resolve any issue relating to the interpretation, formation or enforceability of this Agreement, or any issue relating to whether a Claim is subject to arbitration under this Agreement, except that any party may bring an action in any court of competent jurisdiction to compel arbitration in accordance with the terms of this Agreement.

ARTICLE 30

NEUTRAL CONSTRUCTION

Each party acknowledges that in the negotiation and drafting of this Agreement, they have been represented by and relied upon the advice of counsel of their choice. The parties affirm that they and their counsel have had a substantial role in such negotiation and drafting and, therefore, the parties agree that this Agreement shall be deemed to have been drafted by all the parties hereto and the rule of construction to the effect that any contract ambiguities are to be resolved, against the drafting party shall not be employed in the interpretation of this Agreement or any exhibit hereto.

ARTICLE 31

RECITALS

The Recitals to this Agreement are incorporated herein and shall constitute an integral part of this Agreement.

[The next page is the signature page.]

IN WITNESS WHEREOF, the parties have executed this Agreement on the day and year first above written.

FERRELL COMPANIES, INC.	EXECUTIVE
By: /s/ Kenneth A. Heinz	/s/ Billy D. Prim
Name: Kenneth A. Heinz	Billy D. Prim
Title: Sr Vice President - Corporate Development	

FERRELLGAS, INC.

By: /s/ Kenneth A. Heinz

Name: Kenneth A. Heinz

Title: Sr Vice President - Corporate Development

PLEASE NOTE: BY SIGNING THIS AGREEMENT, THE EXECUTIVE IS HEREBY CERTIFYING THAT HE (A) HAS RECEIVED A COPY OF THIS AGREEMENT FOR REVIEW AND STUDY BEFORE EXECUTING IT; (B) HAS READ THIS AGREEMENT CAREFULLY BEFORE SIGNING IT; (C) HAS HAD SUFFICIENT OPPORTUNITY BEFORE SIGNING THE AGREEMENT TO ASK ANY QUESTIONS THE EXECUTIVE HAS ABOUT THE AGREEMENT AND HAS RECEIVED SATISFACTORY ANSWERS TO ALL SUCH QUESTIONS, AND (D) UNDERSTANDS THE EXECUTIVE'S RIGHTS AND OBLIGATIONS UNDER THE AGREEMENT.

THIS AGREEMENT CONTAINS A BINDING ARBITRATION AGREEMENT.