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

FORM 10-K

[X] Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the fiscal year ended July 31, 2000
or
[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

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

(Exact name of registrants as specified in their charters)

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

One Liberty Plaza, Liberty, Missouri 64068

(Address of principal executive offices) (Zip Code)

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

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

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

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

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

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

The aggregate market value as of October 5, 2000, of the registrant's Common Units held by nonaffiliates of the registrant, based on the reported closing price of such units on the New York Stock Exchange on such date, was approximately $218,305,000.

At October 5, 2000, Ferrellgas Partners, L.P. had units outstanding as follows:
31,307,116 Common Units
4,652,691 Senior Common Units
Documents Incorporated by Reference: None

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

2000 FORM 10-K ANNUAL REPORT

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PART I

ITEM 1. BUSINESS.

Business of Ferrellgas Partners, L.P.

Ferrellgas Partners, L.P. is a Delaware limited partnership that was formed on April 19, 1994. The common units of Ferrellgas Partners are listed on the New York Stock Exchange and its activities are primarily conducted through its subsidiary Ferrellgas, L.P. Ferrellgas Partners is the sole limited partner of Ferrellgas, L.P. with a 99% limited partner interest. Ferrellgas Partners and Ferrellgas, L.P. are together referred to as the Partnership.

Business of Ferrellgas, L.P.

Ferrellgas, L.P., a Delaware limited partnership, was formed on April 22, 1994, to acquire, own and operate the propane business and assets of Ferrellgas, Inc. Ferrellgas, L.P. accounts for nearly all of Ferrellgas Partner's consolidated assets, sales and operating earnings, except for interest expense related to $160 million of 9 3/8% Senior Secured Notes issued by Ferrellgas Partners in April 1996 and a related interest rate swap agreement entered into in April 2000.

Ferrellgas, Inc. owns general partner units that represent a 1% interest in Ferrellgas Partners and a 1.0101% general partner interest in Ferrellgas, L.P. The combined ownership represents a 2% general partner interest in the Partnership. As general partner, Ferrellgas, Inc. performs all management functions for the Partnership. All historical references prior to July 5, 1994, relate to operations as conducted by Ferrellgas, Inc. and its predecessors.

General

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

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

The Partnership believes that it is the largest retail marketer of propane in the United States as measured by gallons sold, serving more than 1,100,000 residential, industrial/commercial and agricultural customers in 45 states and the District of Columbia through 604 retail outlets in 40 states. Some outlets serve interstate markets. Based upon information contained in industry publications for calendar year 1999, the Partnership believes that its retail operations account for approximately 11% of the retail propane gallons sold in the United States. For the Partnership's fiscal years ended July 31, 2000, 1999, and 1998, annual retail propane sales volumes were 847 million, 680 million, and 660 million gallons, respectively.

Formation and History

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

Ferrellgas, Inc.'s initial growth largely resulted from small acquisitions in the rural areas of eastern Kansas, northern and central Missouri, Iowa, western Illinois, southern Minnesota, South Dakota and Texas. In July 1984, Ferrellgas, Inc. acquired propane operations with annual retail sales volumes of approximately 33 million gallons and in December 1986 acquired propane operations with annual retail sales volumes of approximately 395 million gallons. These two major acquisitions and many other smaller acquisitions significantly expanded and diversified Ferrellgas, Inc.'s geographic coverage. Since 1986, Ferrellgas, Inc. and the Partnership have acquired more than 100 smaller independent propane retailers, the largest of which were Thermogas LLC acquired in December 1999, Skelgas Propane, Inc. acquired in May 1996 and Vision Energy Resources, Inc. acquired in November 1994. For the fiscal years ended July 31, 2000 to 1996, the Partnership invested approximately $310.3 million, $48.7 million, $13.0 million, $38.8 million, and $108.8 million, respectively, to acquire operations with annual retail sales of approximately 302.4 million, 21.5 million, 4.4 million, 20.5 million, and 111.8 million gallons of propane, respectively.

Retail Operations

The retail business of the Partnership consists principally of transporting propane purchased in the contract and spot markets primarily from major oil companies to its retail distribution outlets and then to tanks located on its customers' premises, as well as to portable cylinders.

Business Strategy

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

The Partnership intends to concentrate its acquisition activities in geographical areas in close proximity to the Partnership's existing operations and to acquire propane retailers that can be efficiently combined with such existing operations to provide an attractive return on investment after taking into account the efficiencies which may result from such combination. However, the Partnership will also pursue acquisitions that broaden its geographic coverage. The Partnership's goal in any acquisition will be to improve the operations and profitability of these smaller companies by integrating them into the Partnership's established supply network. The Partnership regularly evaluates a number of propane distribution companies that may be candidates for acquisition. The Partnership believes that there are numerous local retail propane distribution companies that are possible candidates for acquisition and that its geographic diversity of operations helps to create many attractive acquisition opportunities. The Partnership intends to fund acquisitions through internal cash flow, external borrowings or the issuance of

additional common units or other securities. The Partnership's ability to accomplish these goals will be subject to the continued availability of acquisition candidates at prices attractive to the Partnership and to availability of funds for that purpose to the Partnership. There is no assurance the Partnership will be successful in sustaining the recent level of acquisitions or that any acquisitions that are made will prove beneficial to the Partnership.

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

Recent Initiatives

During fiscal 2000, the Partnership began an assessment of its operations to reduce operating costs to offset the impact of future potential challenges to its operations such as warmer than normal weather and volatile product cost environments. This operational assessment resulted in the implementation of several expense savings and customer satisfaction initiatives, including the elimination of redundancies in overlapping Thermogas and Ferrellgas, L.P. operations, the review of staffing and asset utilization levels in the existing Ferrellgas, L.P. base business, and improvements to the routing and scheduling of customers' deliveries.

The majority of the integration of the Thermogas acquisition into the existing Ferrellgas, L.P. operations occurred during the spring and summer of fiscal 2000. Over 65 of the approximately 180 Thermogas locations were blended together with existing Ferrellgas, L.P. locations. The Partnership eliminated duplicate personnel and assets in these locations. The Partnership also identified cost reduction opportunities in approximately 65 additional locations in which the Partnership transferred customers and assets between existing Ferrellgas, L.P. and Thermogas locations in a manner that allowed the customer to be serviced from a more cost effective location. Since completing the Thermogas acquisition in December 1999, the Partnership has reduced its workforce by approximately 180 full time equivalent positions and has eliminated over 175 excess vehicles from these overlapping locations. A portion of these cost savings was realized during the integration that occurred in the spring and summer of fiscal 2000. The Partnership believes these actions will result in savings of approximately $7 million of expenses during fiscal 2001.

In addition to savings resulting from the integration of Thermogas, the Partnership reduced additional operating costs by the assessment of its existing operations. This assessment involved the review of the staffing and asset utilization levels of the 520 existing Ferrellgas, L.P. locations, through the using of productivity and benchmark measurements to identify savings opportunities. The review was similar to the review used to establish optimal staff and asset levels in the overlapping Ferrellgas, L.P. and Thermogas locations. As a result, the Partnership reduced its workforce by over 500 additional full time equivalent positions, eliminated over 250 additional excess vehicles, merged approximately 30 retail locations and divested 2 retail locations. The majority of these actions were taken throughout the latter half of fiscal 2000, therefore some of this cost savings was realized during fiscal 2000. The Partnership believes that these actions will result in savings of approximately $12 million of expenses during fiscal 2001.

During the fourth quarter of fiscal 2000, the Partnership introduced significant improvements to its existing routing and scheduling process used for planning customer deliveries. The Partnership expects these improvements to increase customer satisfaction and also reduce delivery costs. These improvements resulted from a pilot program that was in place throughout fiscal 2000 that involved several locations in Ohio. This pilot program assisted the Partnership in the improvement of the technology, training and reporting associated with the routing and scheduling of customer propane deliveries. The existing technology has been improved to better predict customer inventory

levels and more efficiently plan deliveries. The Partnership's employees were recently extensively trained on these routing and scheduling improvements. In addition, incentive programs for fiscal 2001 were modified to encourage employees to achieve success measurements related to improved routing and scheduling and improved customer satisfaction. A large portion of the new incentive program is based on each location reducing operating expenses by 1.5 cents per gallon delivered. The Partnership expects the vast majority of its locations will utilize these routing and scheduling improvements by the start of the fiscal 2001 heating season.

Marketing

The retail propane marketing business generally involves large numbers of small volume deliveries averaging approximately 200 gallons each. The market areas are generally rural, but also include suburban areas for industrial applications.

The Partnership utilizes marketing programs targeting both new and existing customers by emphasizing its efficiency in delivering propane to customers as well as its employee training and safety programs. The Partnership sells propane primarily to four markets: residential, industrial/commercial, agricultural and other, with other being principally to other propane retailers and as engine fuel. During the fiscal year ended July 31, 2000, sales to residential customers accounted for 63% of retail gross profit, sales to industrial and other commercial customers accounted for 27% of retail gross profit, and sales to agricultural and other customers accounted for 10% of retail gross profit. Residential sales have a greater profit margin, more stable customer base and tend to be less sensitive to price changes than the other markets served by the Partnership. No single customer of the Partnership accounted for 10% or more of the Partnership's consolidated revenues in fiscal 2000.

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

The retail market for propane is seasonal because propane is used primarily for heating in residential and commercial buildings. Consequently, sales and operating profits are concentrated in the second and third fiscal quarters or November through April. In addition, sales volume traditionally fluctuates from year to year in response to variations in weather, price and other factors. The Partnership believes that the broad geographic distribution of its operations helps to minimize exposure to regional weather or economic patterns. Long-term, historic weather data from the National Climatic Data Center indicates that the average annual temperatures have remained relatively constant over the last thirty years with fluctuations occurring on a year-to-year basis. During times of colder-than-normal winter weather, the Partnership has been able to take advantage of its large, efficient distribution network to help avoid supply disruptions such as those experienced by some of its competitors, thereby broadening its long-term customer base.

Supply, Distribution and Risk Management

The Partnership purchases propane primarily from major domestic oil companies. Supplies of propane from these sources have traditionally been readily available, although no assurance can be given that supplies of propane will be readily available in the future. As a result of the Partnership's ability to:

- buy large volumes of propane,
- utilize various risk management strategies, and
- utilize its large distribution system and underground storage capacity,

the Partnership believes it is in a position to achieve product cost savings and avoid shortages during periods of tight supply to an extent not generally available to other retail propane distributors. The Partnership is not dependent upon any single supplier or group of suppliers, the loss of which would have a material adverse effect on the Partnership. For the year ended July 31, 2000, no supplier provided more than 10% of the Partnership's total propane purchases.

A portion of the Partnership's propane inventory is purchased under supply contracts that typically have a one-year term and a price that fluctuates based on the spot market prices. Additionally, the Partnership will enter into fixed price contracts that have a term of less than one year. Some of the Partnership's contracts specify minimum and maximum amounts of propane to be purchased.

The Partnership may purchase and store inventories of propane to avoid delivery interruptions during periods of increased demand. The Partnership owns three underground storage facilities with an aggregate capacity of approximately 192 million gallons. Currently, approximately 141 million gallons of this capacity is leased to third parties. The remaining space is available for the Partnership's use.

In addition, the Partnership's risk management activities utilize certain types of energy commodity forward contracts and swaps traded on the over-the-counter financial markets and futures traded on the New York Mercantile Exchange. These activities are utilized to anticipate market movements, manage and hedge the Partnership's exposure to the volatility of floating commodity prices and to protect the Partnership's inventory positions. The Partnership also utilizes certain over-the-counter energy commodity options to limit overall price risk and to hedge its exposure to inventory price movements.

Propane is generally transported from natural gas processing plants and refineries, pipeline terminals and storage facilities to retail distribution outlets and wholesale customers by railroad tank cars leased by the Partnership and by highway transport trucks owned or leased by the Partnership. Common carrier transport trucks may be used during the peak delivery season in the winter months or to provide service in areas where economic considerations favor common carrier use. Propane is then transported from the Partnership's retail distribution outlets to customers by the Partnership's fleet of 2,201 bulk delivery trucks, which are fitted generally with 2,000 to 3,000 gallon propane tanks. Propane storage tanks located on the customers' premises are then filled from the delivery truck. Propane is also delivered to customers in portable cylinders.

Industry and Competition

Industry

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

a standby fuel for use during peak demands and during interruption in natural gas service. The expansion of natural gas into traditional propane markets has historically been inhibited by the capital costs required to expand distribution and pipeline systems. Although the extension of natural gas pipelines tends to displace propane distribution in the neighborhoods affected, the Partnership believes that new opportunities for propane sales arise as more geographically remote neighborhoods are developed.

Propane is generally less expensive to use than electricity for space heating, water heating and cooking and competes effectively with electricity in those parts of the country where propane is cheaper than electricity on an equivalent BTU basis. Although propane is similar to fuel oil in application, market demand and price, propane and fuel oil have generally developed their own distinct geographic markets. Because residential furnaces and appliances that burn propane will not operate on fuel oil, a conversion from one fuel to the other requires the installation of new equipment. The Partnership's residential retail propane customers will have an incentive to switch to fuel oil only if fuel oil becomes significantly less expensive than propane. Likewise, the Partnership may be unable to expand its customer base in areas where fuel oil is widely used, particularly the Northeast United States, unless propane becomes significantly less expensive than fuel oil. However, many industrial customers who use propane as a heating fuel have the capacity to switch to other fuels, such as fuel oil, on the basis of availability or minor variations in price.

Competition

In addition to competing with marketers of other fuels, the Partnership competes with other companies engaged in the retail propane distribution business. Competition within the propane distribution industry stems from two types of participants: the larger multi-state marketers, and the smaller, local independent marketers, including recent entrants such as certain rural electric cooperatives. Based upon industry publications, the Partnership believes that the ten largest multi-state retail marketers of propane, including the Partnership, account for approximately 45% of the total retail sales of propane in the United States and that there are approximately 5,000 local or regional distributors. Based upon information contained in industry publications for calendar year 1998, the Partnership also believes no single marketer other than itself has a greater than 10% share of the total market in the United States. The Partnership believes that it is the largest retail marketer of propane in the United States with a market share of approximately 11% as measured by volume of national retail propane sales.

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

Other Operations

The other operations of the Partnership consist principally of wholesale propane marketing and other smaller operations, e.g., chemical feedstocks marketing, natural gas liquids storage, a wholesale propane appliance operation, retail refined fuels sales, truck maintenance centers, tank refurbishment centers, transport hauling and others.

The Partnership engages in the wholesale marketing and distribution of propane to other retail propane distributors. During the fiscal years ended July 31, 2000, 1999 and 1998, the Partnership sold 99 million, 103 million and 136 million gallons, respectively, of propane to wholesale customers and had revenues attributable to such sales of $43.4 million, $33.8 million and $49.9 million, respectively.

Employees

The Partnership has no employees and is managed by Ferrellgas, Inc. pursuant to its partnership agreement. At September 30, 2000, Ferrellgas, Inc. had 4,532 full-time employees and 882 temporary and part-time employees. Ferrellgas, Inc.'s full-time employees were employed in the following areas:

Retail Locations	3,896
Transportation and Storage	265
Corporate Offices in Liberty, MO and Houston, TX	371
Total	4,532

Less than one percent of Ferrellgas, Inc.'s employees are represented by four local labor unions, which are all affiliated with the International Brotherhood of Teamsters. Ferrellgas, Inc. has not experienced any significant work stoppages or other labor problems.

The Partnership's supply, risk management, wholesale marketing, distribution scheduling and product accounting functions are operated primarily out of the Partnership's offices located in Houston, by a total full-time corporate staff of 82 people.

Governmental Regulation - Environmental and Safety Matters

The Partnership is not subject to any price or allocation regulation of propane.

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

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

The Partnership believes it is in material compliance with all governmental regulations and industry standards applicable to environmental and safety matters. The Department of Transportation established new regulations addressing emergency discharge control issues that became effective on July 1, 1999 with various requirements phased in over the next seven years. The Partnership is in full compliance in all material respects with those current regulatory requirements and is working with both the Department of Transportation and outside experts to fully test emergency discharge control systems that comply with the new requirements as they become effective.

Service Marks and Trademarks

The Partnership markets retail propane under the "Ferrellgas," "Thermogas," "Puget Propane," "Seacrist Fuels," and "Elk Grove Gas & Oil" tradenames. The Partnership uses the tradenames "Ferrell North America" and "American Energy Incorporated" for its wholesale operations, the tradename "NRG" for its propane appliance wholesale operation, the tradename "Ferrell Transport" for most of its third party hauling and oil field services operations and the tradename "bluebuzz.com" for its internet service provider operations. In addition, the Partnership has a trademark on the name "FerrellMeter," its patented gas leak

detection device. Ferrellgas, Inc. has an option to purchase the tradenames and trademark that it contributed to the Partnership for a nominal value if Ferrellgas, Inc. is removed as general partner of the Partnership other than for cause. If Ferrellgas, Inc. ceases to serve as the general partner of the Partnership for any other reason, it will have the option to purchase the tradenames and trademark from the Partnership for fair market value.

Businesses of Other Subsidiaries

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

Bluebuzz.com, Inc., is the Partnership's internet service provider and a wholly-owned subsidiary of Ferrellgas, L.P. Bluebuzz.com was incorporated in Delaware in April 2000 and provides internet service to subscribers in some of the locations where Ferrellgas, L.P. has retail propane locations. Bluebuzz.com currently does not own significant assets, nor has it generated significant operating income or loss. Accordingly, a discussion of the results of operations, liquidity and capital resources of Bluebuzz.com is not presented.

Ferrellgas Receivables, LLC is a newly created wholly-owned, special purpose subsidiary of Ferrellgas, L.P., and was organized in September 2000. Ferrellgas, L.P., contributed and sold interests in a pool of accounts receivable to Ferrellgas Receivables. Ferrellgas Receivables then sold the interests to a commercial paper conduit of Banc One, NA. Ferrellgas Receivables does not conduct any other activities. In accordance with Statement of Financial Accounting Standard No. 125 "Accounting for Transfers of Assets," Ferrellgas Receivables will not be consolidated into the results of the Partnership and thus will be accounted for using the equity method of accounting.See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources."

ITEM 2. PROPERTIES.

The Partnership owns or leases the following transportation equipment that is utilized primarily in retail operations.

	Owned	Leased	Total
Truck tractors	107	124	231
Transport trailers	362	49	411
Bulk delivery trucks	1,256	945	2,201
Pickup and service trucks	1,713	643	2,356
Railroad tank cars	-	222	222

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

A typical retail distribution outlet is located on one to three acres of land and includes a small office, a workshop, bulk storage capacity of 18,000 gallons to 60,000 gallons and a small inventory of stationary customer storage tanks and portable propane cylinders that the Partnership provides to its retail

customers for propane storage. The Partnership owns the land and buildings in the applicable local markets of approximately 50% of its retail outlets and leases the remaining facilities on terms customary in the industry.

Approximately 1,012,000 propane tanks are either owned or leased by the Partnership, most of which are located on customer property and leased to those customers. The Partnership also owns approximately 829,000 portable propane cylinders, most of which are leased to industrial and commercial customers. See "Management's Discussion and Analysis of Financial Condition - Liquidity and Capital Resources and Results of Operations" for a discussion of the operating tank lease involving a portion of the Partnership's customer tanks.

The Partnership owns underground storage facilities at Hutchinson, Kansas; Adamana, Arizona; and Moab, Utah. At July 31, 2000, the capacity of these facilities approximated 86 million gallons, 98 million gallons, and 8 million gallons, respectively for an aggregate of approximately 192 million gallons. Currently, approximately 141 million gallons of this capacity is leased to third parties. The remaining space is available for the Partnership's use.

The Partnership owns land and two buildings with 50,245 square feet of office space and leases 6,250 square feet of office space that together comprise its corporate headquarters in Liberty, Missouri, and leases 27,696 square feet of office space in Houston, Texas, where its risk management, supply and wholesale marketing operations are primarily located.

The Partnership believes that it has satisfactory title to or valid rights to use all of its material properties. Although some of those properties may be subject to liabilities and leases, liens for taxes not yet currently due and payable and immaterial encumbrances, easements and restrictions, the Partnership does not believe that any such burdens will materially interfere with the continued use of such properties in its business. The Partnership believes that it has made, or is in the process of obtaining, all required material: approvals, authorizations, orders, licenses, permits, franchises, consents of, registrations, qualifications and filings with, the various state and local governmental and regulatory authorities which relate to ownership of the Partnership's properties or the operations of its business.

ITEM 3. LEGAL PROCEEDINGS.

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

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

A special meeting of common unitholders was held on June 5, 2000. The common unitholders voted in favor of two proposals at the special meeting as follows:

1. A proposal to approve the conversion provisions related to the Partnership's recently issued senior units to allow the holders of the senior units to elect to convert into common units upon the earlier of February 1, 2002 or the occurrence of a material event, as defined in our partnership agreement:

FOR	AGAINST	ABSTAIN
22,932,167	254,008	171,954

2. A proposal to amend the definition of "outstanding" in the partnership agreement to provide that Williams Natural Gas Liquids, Inc., its successors or The Williams Companies, Inc., as holders of common units obtained upon the conversion of the senior units, may vote their common units and shall be entitled to all other rights as common unitholders:

FOR	AGAINST	ABSTAIN
22,989,138	209,331	159,660

PART II

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

The common units representing common limited partner interests in the Partnership are listed and traded on the New York Stock Exchange under the symbol FGP. As of October 5, 2000, there were 788 common unitholders of record. The following table sets forth the high and low sales prices for the common units on the New York Stock Exchange and the cash distributions declared per common unit for the periods indicated.

	Common Unit Price Range		Distributions Declared
	High	Low	Per Unit
	1999		
First Quarter	$20.94	$19.13	$0.50
Second Quarter	21.75	17.00	0.50
Third Quarter	18.88	16.00	0.50
Fourth Quarter	17.94	16.69	0.50
	2000		
First Quarter	$17.75	$15.06	$0.50
Second Quarter	15.63	12.00	0.50
Third Quarter	14.56	13.25	0.50
Fourth Quarter	14.63	13.31	0.50

During 1994, the Partnership issued subordinated units, all of which were held by Ferrell Companies for which there was no established public trading market. Effective August 1, 1999, the subordinated units converted into common units and were subsequently listed on the New York Stock Exchange. The subordinated units and the conversion to common units are more fully described in Note F to the Consolidated Financial Statements provided herein.

The Partnership makes quarterly cash distributions of its available cash, as defined by the applicable partnership agreement. Available cash is generally defined as consolidated cash receipts less consolidated cash disbursements and changes in cash reserves established by Ferrellgas, Inc. for future requirements. To the extent necessary, the Partnership will reserve cash inflows from the second and third quarters for distribution in the first and fourth fiscal quarters. See "Management's Discussion and Analysis of Financial Condition and Results of Operations-Liquidity and Capital Resources" for a discussion of the financial tests and covenants which place limits on the amount of cash that can be used by the Partnership to pay distributions.

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

ITEM 6. SELECTED HISTORICAL FINANCIAL DATA.

The following table presents selected consolidated historical financial data of the Partnership.

(in thousands, except per unit data)

	Ferrellgas Partners, L.P.				
	Year Ended July 31,				
	2000	1999	1998	1997	1996
Income Statement Data:					
Total revenues	$ 952,199	$ 624,149	$ 667,353	$ 804,298	$ 653,640
Depreciation and amortization	61,633	47,257	45,009	43,789	37,024
ESOP compensation charge	3,733	3,295	350	-	-
Operating income	56,735	62,339	52,760	68,819	62,506
Interest expense	58,298	46,621	49,129	45,769	37,983
Earnings before extraordinary loss	860	14,783	4,943	23,218	24,312
Basic and diluted earnings (loss) per common and subordinated unit - Earnings (loss) before extraordinary loss and after paid-in-kind distribution	(0.32)	0.47	0.16	0.74	0.77
Cash distributions declared per common and subordinated unit	2.00	2.00	2.00	2.00	2.00
Balance Sheet Data at end of period:					
Working capital	$(6,344)	$ (4,567)	$ (443)	$ 18,111	$ 15,294
Total assets	967,907	656,745	621,223	657,076	654,295
Long-term debt	718,118	583,840	507,222	487,334	439,112
Partners' Capital:					
Senior Common Unitholder	$ 179,786	$ -	$ -	$ -	$ -
Common Unitholders	(80,931)	1,215	27,985	52,863	71,323
Subordinated Unitholder	-	(10,516)	19,908	50,337	71,302
General Partner Unitholder	(58,511)	(59,553)	(58,976)	(58,417)	(58,016)
Accumulated other comprehensive income	-	(797)	-	-	-

(in thousands)

	Ferrellgas Partners, L.P.				
	Year Ended July 31,				
	2000	1999	1998	1997	1996
Operating Data:					
Retail propane sales volumes (in gallons)	846,664	680,477	659,932	693,995	650,214
Capital expenditures:					
Maintenance	$ 8,917	$ 10,505	$ 10,569	$ 10,137	$ 6,657
Growth	11,838	15,238	10,060	6,055	6,654
Acquisition	310,260	48,749	13,003	38,780	108,803
Total	$331,015	$ 74,492	$ 33,632	$ 54,972	$ 122,114
Supplemental Data:					
Adjusted earnings before income taxes, depreciation and amortization:	$122,101	$112,891	$ 98,119	$112,608	$99,530
Net cash provided by operating activities	$53,352	$92,494	$74,337	$75,087	$65,096

The Partnership's capital expenditures fall generally into three categories:

- maintenance capital expenditures, which include capitalized expenditures for repair and replacement of property, plant and equipment,

- growth capital expenditures, which include expenditures for purchases of new propane tanks and other equipment to facilitate expansion of the Partnership's customer base and operating capacity, and

- acquisition capital expenditures, which include expenditures related to the acquisitions of retail propane operations. Acquisition capital expenditures represent total cost of acquisition less working capital acquired. The Partnership acquired Thermogas LLC and Skelgas Propane, Inc. in December 1999 and May 1996, respectively

Adjusted earnings before interest, taxes, depreciation and amortization is:

- calculated as operating income less depreciation and amortization and an Employee Stock Ownership Plan related non-cash compensation charge,

- not intended to represent cash flow and does not represent the measure of cash available for distribution,

- a non-generally accepted accounting principle measure, but provides additional information for evaluating the Partnership's ability to make its minimum quarterly distribution,

- as defined by the Partnership, may not be comparable to similarly reported measures reported by other companies,

- not intended as an alternative to earnings from continuing operations or net earnings, and

- may not be comparable to similarly titled measures reported by other companies.

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

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

Forward-looking statements

Statements included in this report that are not historical facts are forward-looking statements. These statements include whether or not Ferrellgas, L.P. will have sufficient funds to meet its obligations and to enable it to distribute to Ferrellgas Partners sufficient funds to permit Ferrellgas Partners to meet its obligations with respect to the $160,000,000 of Senior Notes issued by Ferrellgas Partners in April 1996, and to pay the required distribution on its senior common units, and to pay the minimum quarterly distribution of $0.50 per common unit.

The forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in or implied by the statements. The risks and uncertainties and their effect on the Partnership's operations include but are not limited to the following:

o the effect of weather conditions on demand for propane, o price and availability of propane supplies, o price and inventory risk of propane supplies,
- the effect of increasing volatility in commodity prices on the Partnership's liquidity,
- the timing of collection of accounts receivable,
- the availability of capacity to transport propane to market areas,
- competition from other energy sources and within the propane industry,
- operating risks incidental to transporting, storing, and distributing propane,
- changes in interest rates,
- governmental legislation and regulations,
- energy efficiency and technology trends,
- the condition of the capital markets in the United States,
- the political and economic stability of the oil producing nations,
- the expectation that the senior common units will be redeemed in the future with proceeds from an offering of equity at a price satisfactory to the Partnership, and
- expected savings from the integration of the Thermogas acquisition, reductions made in personnel and assets related to the existing Ferrellgas, L.P. locations and savings related to the routing and scheduling improvements, all discussed in "Business - Recent Initiatives".

Selected Quarterly Financial Data

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

On December 17, 1999, the Partnership purchased Thermogas LLC from Williams Natural Gas Liquids, Inc., a subsidiary of The Williams Companies, Inc. Thus the second, third and fourth quarters of fiscal year 2000 will vary significantly from those same quarters in fiscal 1999. During the second quarter of fiscal 2000, the Partnership was able to identify the effect of the Thermogas acquisition on the results of operations, because the Thermogas operations acquired were being operated separately from the existing Partnership operations. Beginning in the third quarter of fiscal 2000, the Partnership began to implement its strategic and operating plans for the integration of Thermogas into the Partnership's existing operations. These integration actions resulted in the merging of retail locations and the related customer groups. Due to the extent of this integration, the Partnership is unable to quantify separately the effect of the Thermogas acquisition in the discussion of results of operations in the third quarter of fiscal 2000 and future quarters.

During fiscal 2000, the wholesale cost of propane increased significantly compared to fiscal 1999. The wholesale market price at one of the major supply points, Mt. Belvieu, Texas, ranged from a per gallon monthly average low of $0.405 to a high of $0.597 in fiscal 2000. In fiscal 1999, the per gallon monthly average low and high price for the same supply point was $0.209 and

$0.373, respectively. Other major supply points in the United States experienced similar increases. This significant cost increase together with the Thermogas acquisition were the major factors causing the increase in the Partnership's revenues, accounts receivable, inventory, accounts payable and cost of goods sold in each quarter of fiscal 2000 as compared to fiscal 1999.

The following presents the Partnership's selected quarterly financial data for the two years ended July 31, 2000.

Fiscal year ended July 31, 2000
(in thousands, except per unit data)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenues	$162,739	$340,995	$300,240	$148,225
Gross profit	77,414	162,967	123,966	63,697
Net earnings (loss)	(14,222)	52,186	5,378	(42,482)
Net earnings (loss) per limited partner unit - basic and diluted	$(0.45)	$1.58	$0.03	$(1.49)

Fiscal year ended July 31, 1999
(in thousands, except per unit data)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenues	$130,339	$230,077	$169,892	$93,841
Gross profit	71,627	128,749	99,721	50,664
Earnings (loss) before extraordinary loss	(11,221)	39,915	13,629	(27,540)
Earnings (loss) before extraordinary loss per limited partners unit - basic and diluted	(0.35)	1.26	0.43	(0.87)
Net earnings (loss)	$(24,007)	$39,915	$13,629	$(27,540)

The net earnings (loss) for the first quarter of fiscal year ended July 31, 1999, reflects a $12,786 extraordinary loss on early retirement of debt, net of minority interest of $130.

Results of Operations

Fiscal Year Ended July 31, 2000 versus Fiscal Year Ended July 31, 1999

Total Revenues. Total gas liquids and related product sales increased 50.1% to $867,779,000 in fiscal 2000 as compared to $578,025,000 for fiscal 1999, primarily due to the addition of Thermogas sales and increased sales price per gallon. The fiscal 2000 winter was reported as the warmest winter in recorded history. For the year, temperatures were 14% warmer than normal and 6% warmer than last year as reported by the American Gas Association.

Sales price per gallon increased due to the effect of the significant increase in the wholesale cost of propane as compared to fiscal 1999. Retail volumes increased 24.4% to 846,664,000 gallons in fiscal 2000 as compared to 680,477,000 gallons for fiscal 1999, primarily due to the acquisition of

Thermogas and partially offset by the effect of warmer weather. Other revenues increased by $38,296,000 primarily due to favorable results from risk management operations and increased other retail sales. Other retail sales, which includes, among others, tank rental, service labor, appliance and material sales, increased primarily due to the acquisition effect of Thermogas.

Gross Profit. Gross profit increased 22.0% to $428,044,000 in fiscal 2000 as compared to $350,761,000 during fiscal 1999, primarily due to gross profit generated from the acquired Thermogas operations and, to a lesser extent, increased favorable results from the risk management operations, partially offset by lower retail margins. Fiscal 1999's retail margins benefited significantly from a low wholesale cost environment. That cost environment was not repeated during fiscal 2000. In addition, while the wholesale cost of propane rapidly increased during the year, the retail sales price lagged the cost increase which caused retail margins to decrease.

Operating Expenses. Operating expenses increased 24.4% to $255,838,000 in fiscal 2000 as compared to $205,720,000 for fiscal 1999 primarily due to personnel, plant and office, vehicle and other operating expenses incurred due to the acquired Thermogas operations.

Depreciation and Amortization. Depreciation and amortization expense increased 30.4% in fiscal 2000 to $61,633,000 as compared to $47,257,000 for fiscal 1999 primarily due to the addition of intangibles and property, plant and equipment from the Thermogas acquisition.

Equipment Lease Expense. Vehicle, tank and computer lease expense increased by $12,542,000 in fiscal 2000 due primarily to the addition of operating tank leases, and to a lesser extent to increased operating leases related to new vehicles and computers acquired for retail locations. See Note H to the Consolidated Financial Statements included elsewhere in this report for additional information regarding the operating tank leases.

Interest Expense. Interest expense increased 25.0% to $58,298,000 in fiscal 2000 as compared to $46,621,000 in fiscal 1999. This increase is primarily the result of increased borrowings related to the Thermogas acquisition and, to a lesser extent, an increase in the overall average interest rate paid by the Partnership. As a result of the Thermogas acquisition, Ferrellgas, L.P. assumed $183,000,000 in debt and also refinanced a portion of its existing revolving credit facility balances. On February 28, 2000, Ferrellgas, L.P. issued $184,000,000 of fixed rate senior notes which have maturities ranging from 2006 to 2009 and an average interest rate of 8.8% in order to repay the $183,000,000 in assumed debt. The additional $1,000,000 in borrowings was used to fund debt issuance costs.

Fiscal Year Ended July 31, 1999 versus Fiscal Year Ended July 31, 1998

Total Revenues. Total gas liquids and related product sales decreased 7.1% to $578,025,000 in fiscal 1999 as compared to $622,423,000 in fiscal 1998, primarily due to a decrease in sales price per gallon as a result of the lower wholesale cost of propane experienced in fiscal 1999, the effects of warmer weather and a decrease in revenues from wholesale propane marketing, partially offset by the effect of acquisitions of propane businesses. The winter of fiscal 1999 was reported as the third warmest winter in recorded history. For the year, temperatures were 9% warmer than normal and 1% warmer than the same period in 1998 as reported by the American Gas Association.

A generally lower wholesale product cost environment experienced during fiscal 1999 caused a significant decrease in the sales price per gallon as compared to fiscal 1998. Retail volumes increased by 3.1% or 20,545,000 gallons, primarily due to acquisitions.

Gross Profit. Gross profit increased 8.0% to $350,761,000 in fiscal 1999 as compared to $324,753,000 in fiscal 1998. Retail operations results increased primarily due to increased retail margins and an increase in volumes attributed to acquisitions, partially offset by decreased volumes attributed to warmer weather.

Operating Expenses. Operating expenses increased 3.4% to $205,720,000 in fiscal 1999 as compared to $199,010,000 in fiscal 1998. Fiscal 1999's operating expenses increased due to acquisition-related increases in personnel costs, plant and office expenses, vehicle and other expenses and also due to performance and merit compensation increases.

Equipment Lease Expense. Vehicle and tank lease expense increased by $2,849,000 in fiscal 1999 due to the utilization of operating lease financing to fund fleet upgrades and replacements.

Interest Expense. Interest expense decreased 5.1% in fiscal 1999 as compared to the fiscal 1998. This decrease was primarily the result of a decrease in the overall average interest rate paid by the Partnership on its borrowings as a result of the refinancing of fixed rate debt and existing revolving credit facility balances, partially offset by the effect of increased borrowings for acquisition and growth capital expenditures (see Liquidity and Capital Resources-Financing Activities following).

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

Liquidity and Capital Resources

The ability of the Partnership to satisfy its obligations is dependent upon future performance, which will be subject to prevailing economic, financial, business and weather conditions and other factors, many of which are beyond its control. Due to the seasonality of the Partnership's retail propane business, a significant portion of the Partnership's cash flow from operations is typically generated during the winter heating season and the Partnership's corresponding second and third fiscal quarters. During the non-peak season and the Partnership's first and fourth fiscal quarters, it is not unusual for the Partnership to generate negative cash flow from operations due to lower retail sales and fixed expenses impact during the non-peak season. As experienced in previous fiscal years, the next fiscal quarter ending October 31, 2000, is expected to generate negative cash flows from operations, and is typically the time period when the Partnership utilizes other sources of funds to meet its obligations. Subject to meeting certain financial tests discussed below, Ferrellgas, Inc. believes that Ferrellgas, L.P. will have sufficient funds available to meet its obligations, to distribute to Ferrellgas Partners sufficient funds to permit Ferrellgas Partners to meet its obligations with respect to the $160,000,000 senior secured notes issued in April 1996 and to distribute to Ferrellgas Partners sufficient funds to distribute the minimum quarterly distribution on all common units for the fiscal quarter ending October 31, 2000.

The Partnership's credit facilities, public debt, private debt, accounts receivable securitization facility and operating tank leases contain several financial tests and covenants which restrict the Partnership's ability to pay distributions, incur debt and engage in certain other business transactions. In general, these tests are based on the Partnership's debt to cash flow ratio and cash flow to interest expense ratio. Ferrellgas, Inc. believes that the most restrictive of these tests currently are debt incurrence limitations within the credit facility, tank leases and accounts receivable securitization facility and limitations on the payment of distributions within the Ferrellgas Partners senior secured notes. The credit facility, tank leases and accounts receivable securitization facility limit Ferrellgas, L.P.'s ability to incur debt if Ferrellgas, L.P. exceeds prescribed ratios of either debt to cash flow or cash flow to interest expense. The Ferrellgas Partners senior secured notes restrict payments if a minimum ratio of cash flow to interest expense is not met. This restriction places limitations on the Partnership's ability to make certain restricted payments such as the payment of cash distributions to unitholders. The cash flow used to determine these financial tests generally is based upon the Partnership's most recent cash flow performance giving pro forma effect for acquisitions and divestitures made during the test period.

The Partnership's financial performance during the 2000, 1999 and 1998 fiscal years has been adversely impacted by average temperatures that were reported by the National Oceanic Atmospheric Administration as the warmest in recorded history. In addition, during fiscal 2000, the Partnership has experienced high product costs which has negatively impacted retail margins. Despite these challenges, the Partnership has continued to meet all of its financial tests and covenants. These include the debt incurrence tests within

the credit facility, tank leases and accounts receivable securitization facility and the Ferrellgas Partners senior secured notes restricted payment test, as well as other financial tests and covenants in the Ferrellgas Partners senior secured notes, the $350 million senior notes, the $184 million senior notes, the credit facility, the tank leases and the accounts receivable securitization facility.

Based upon current estimates of the Partnership's cash flow, Ferrellgas, Inc. believes that the Partnership will be able to meet all of the required financial tests and covenants for the fiscal quarter ending October 31, 2000. However, due to the lower than expected operating results experienced during fiscal 2000, if the Partnership were to encounter additional unexpected downturns in business operations, such as significantly warmer than normal weather or a volatile cost environment, the Partnership may not meet certain financial tests during immediate future quarters. These factors could temporarily restrict the ability of Ferrellgas, L.P. to incur debt or Ferrellgas Partner's ability to make cash distributions to its common unitholders. Depending on the circumstances, the Partnership could consider alternatives to permit the incurrence of debt at Ferrellgas, L.P. or the continued payment by Ferrellgas Partners of the quarterly cash distribution to its common unitholders. No assurances can be given, however, that such alternatives can or will be implemented with respect to any given quarter.

Future maintenance and working capital needs of the Partnership are expected to be provided by cash generated from future operations, existing cash balances, the credit facility and the accounts receivable securitization facility. To fund expansive capital projects and future acquisitions, Ferrellgas, L.P. may borrow on the existing credit facility, Ferrellgas Partners or Ferrellgas, L.P. may issue additional debt to the extent permitted under existing debt agreements or Ferrellgas Partners may issue additional equity securities, including, among others, common units.

Toward this purpose, on February 5, 1999, Ferrellgas Partners filed a shelf registration statement with the Securities and Exchange Commission for the periodic sale of up to $300,000,000 in debt and/or equity securities. The registered securities would be available for sale by the Partnership in the future to fund acquisitions, reductions in indebtedness or for general corporate purposes.

Ferrellgas Partners also maintains an additional shelf registration statement with the Securities and Exchange Commission for 2,010,484 common units. These common units may be issued by Ferrellgas Partners in connection with the Partnership's acquisition of other businesses, properties or securities in business combination transactions.

On August 1, 1999, the subordination period ended and all subordinated units converted to common units. This conversion is more fully described in Note F of the Consolidated Financial Statements provided herein.

Operating Activities. Cash provided by operating activities was $53,352,000 for the twelve months ended July 31, 2000, compared to $92,494,000 for fiscal 1999. This decrease in cash provided from operations is primarily due to the higher working capital requirements resulting from the increased costs of propane during fiscal 2000.

Investing Activities. During the twelve months ended July 31, 2000, before the effect of the Thermogas acquisition, the Partnership made total acquisition capital expenditures of $7,183,000. This amount was funded by $6,338,000 of cash payments, $601,000 of noncompete notes, $46,000 of common units issued and $198,000 of other costs and consideration.

On December 17, 1999, the Partnership purchased Thermogas from a subsidiary of The Williams Companies. At closing the Partnership entered into the following noncash transactions:

- issued $175,000,000 in senior common units to the seller,
- assumed a $183,000,000 bridge loan, which was refinanced from the proceeds of the $184,000,000 senior notes issued on February 28, 2000, and
- assumed a $135,000,000 operating tank lease.

As a result of the transaction, the Partnership acquired $61,842,000 of cash which remained on the Thermogas balance sheet. Since the closing of the acquisition, the Partnership has paid $15,893,000 in additional costs and fees related to the transaction between December 17, 1999 and July 31, 2000. The Partnership reimbursed The Williams Companies $5,652,500 as final settlement of its working capital reimbursement obligation.

The Partnership has accrued $7,033,000 in exit costs, which it expects to incur within twelve months from the acquisition date as it implements the integration of the Thermogas operations. This accrual included $5,870,000 of termination benefits and $1,163,000 of costs to exit Thermogas activities. Exit costs are generally those costs incurred to terminate employees pursuant to an acquisition and to exit an activity of an acquired company. As of July 31, 2000, the Partnership has paid $1,306,000 for termination benefits and $890,000 for exit costs. The Partnership does not have any material commitments of funds for capital expenditures other than to support the current level of operations. In fiscal 2001, the Partnership does not expect a significant increase in growth and maintenance capital expenditures resulting from the Thermogas acquisition as compared to fiscal 2000 levels.

During the twelve months ended July 31, 2000, the Partnership made growth and maintenance capital expenditures of $20,755,000 consisting primarily of the following:

- additions to Partnership-owned customer storage tanks and cylinders,
- relocating and upgrading district plant facilities,
- upgrading computer equipment and software, and
- vehicle lease buyouts.

The Partnership's capital requirements for repair and maintenance of property, plant and equipment are relatively low due to limited technological change and long useful lives of propane tanks and cylinders.

The Partnership leases light and medium duty trucks, tractors and trailers. The Partnership believes vehicle leasing is a cost-effective method for meeting its transportation equipment needs. The Partnership plans to purchase vehicles at the end of their lease term totaling $1,364,000 in 2001, $203,000 in 2002 and $143,000 in 2003. The Partnership intends to renew other vehicle leases that would have had buyouts of $452,000 in 2001, $7,057,000 in 2002, $162,569,000 in 2003, $4,981,000 in 2004 and $4,086,000 in 2005. Historically, the Partnership has been successful in renewing vehicle leases subject to buyouts. However, there is no assurance that it will be successful in the future.

The Partnership continues to seek to expand its operations through strategic acquisitions of smaller retail propane operations located throughout the United States. These acquisitions will be funded through internal cash flow, external borrowings or the issuance of additional Partnership interests.

Financing Activities. On August 4, 1998, Ferrellgas, L.P. issued the privately placed unsecured $350 million senior notes and entered into a credit facility with its existing banks. The senior notes include five series with maturities ranging from year 2005 through 2013 at an average fixed interest rate of 7.16%. The proceeds of the senior notes were used to redeem $200,000,000 of Ferrellgas, L.P. fixed rate senior notes issued in July 1994, including a 5% call premium, and to repay outstanding indebtedness under the former Ferrellgas, L.P. revolving credit facility. On December 17, 1999, Ferrellgas, L.P. terminated its additional credit facility agreement that it had entered into on April 30, 1999. This facility had provided for an unsecured facility for

acquisitions, capital expenditures, and general corporate purposes. The outstanding additional credit facility before its termination on December 17, 1999 was $35,000,000.

On December 6, 1999, Ferrellgas, L.P. entered into a $25,000,000 operating tank lease involving the sale-leaseback of a portion of its customer tanks with Banc of America Leasing & Capital, LLC. This operating lease has a term that expires June 30, 2003 and may be extended for two additional one-year periods at the option of Ferrellgas, L.P., if such extension is approved by the lessor. On December 17, 1999, immediately prior to the closing of the Thermogas acquisition, Thermogas entered into a $135,000,000 operating tank lease involving a portion of its customer tanks, with Banc of America Leasing & Capital, LLC. In connection with the acquisition of Thermogas, Ferrellgas, L.P. assumed all obligations under the $135,000,000 operating tank lease, which have terms and conditions similar to the December 6, 1999, $25,000,000 operating tank lease discussed above. The Partnership intends to renew both leases for the two additional one-year periods, subject to lessor approval. Following the renewal periods, the Partnership intends to refinance these leases, however, there can be no assurance that the Partnership will be successful in obtaining this refinancing or lessor approval for the renewals.

On February 28, 2000, Ferrellgas, L.P. issued $184 million of privately placed unsecured senior notes. The proceeds of the $184 million senior notes, which include three series with maturities ranging from year 2006 through 2009 and an average fixed interest rate of 8.8%, were used to retire $183,000,000 of Ferrellgas, L.P. bridge loan financing assumed in connection with the Thermogas acquisition.

On April 18, 2000, Ferrellgas, L.P. completed the syndication of both the $25,000,000 and $135,000,000 operating tank lease to a group of banks and other financial institutions.

On April 18, 2000, Ferrellgas, L.P. entered into an amended and restated credit facility. This $157,000,000 credit facility, which expires on June 30, 2003, replaces the previous $145,000,000 credit facility.

Ferrellgas, L.P.'s credit facility consists of a $117,000,000 unsecured working capital, general corporate and acquisition facility, including a letter of credit facility, and a $40,000,000 revolving working capital facility. This $40,000,000 facility is subject to an annual reduction in outstanding balances to zero for thirty consecutive days. All borrowings under the credit facility bear interest, at the borrower's option, at a rate equal to either London Interbank Offered Rate plus an applicable margin varying from 1.25 percent to 2.25 percent or the bank's base rate plus an applicable margin varying from 0.25 percent to 1.25 percent. The bank's base rate at July 31, 2000 and 1999 was 9.5% and 8.0%, respectively. To offset the variable rate characteristic of the credit facility, Ferrellgas, L.P. entered into a interest rate collar agreement, expiring January 2001, with a major bank limiting the floating rate portion of London Interbank Offered Rate -based loan interest rates on a notional amount of $25,000,000 to between 5.05% and 6.5%. During the year ended July 31, 2000, the Partnership repaid $48,800,000 to its credit facility as it related to the funding of working capital, business acquisitions and capital expenditure needs.

Effective April 27, 2000, Ferrellgas Partners entered into an interest rate swap agreement with Bank of America, related to the semi-annual interest payment due on the $160,000,000 fixed rate senior secured notes due 2006. The swap agreement, which expires June 15, 2006, requires Bank of America to pay the stated fixed interest rate (annual rate 9.375%) pursuant to the $160,000,000 senior secured notes, equaling $7,500,000 every six months due on each June 15 and December 15. In exchange, the Partnership is required to make quarterly floating interest rate payments on the 15th of March, June, September and December based on an annual interest rate equal to the 3 month London Interbank Offered Rate interest rate plus 1.655% applied to the same notional amount of $160,000,000.

Effective June 2, 2000, Ferrellgas, L.P. entered into an interest rate cap agreement with Bank of America, related to variable quarterly rent payments due pursuant to two operating tank lease agreements. The variable quarterly rent payments are determined based upon a floating London Interbank Offered Rate based interest rate. The cap agreement, which expires June 30, 2003, requires Bank of America to pay Ferrellgas, L.P., at the end of each March, June,

September and December, the excess, if any, of the applicable 3 month floating London Interbank Offered Rate interest rate over a cap of 9.3%, applied to the unamortized amount outstanding each quarter under the two operating tank lease agreements. The total obligation under these two operating tank lease agreements as of July 31, 2000 was $159,200,000.

On September 26, 2000, Ferrellgas, L.P. received $20,000,000 in cash in exchange for the sale and contribution of a $25,000,000 interest in a pool of its trade accounts receivable to its recently created wholly-owned, special purpose subsidiary, Ferrellgas Receivables. Ferrellgas Receivables then sold the interest to a commercial paper conduit of Banc One, NA according to the terms of a 364-day agreement. The level of funding available from this agreement is limited to $60,000,000. In accordance with SFAS No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," this transaction will be reflected on the Partnership's financial statements as a sale of accounts receivable and contribution of capital in the first quarter of fiscal 2001. The proceeds of these sales are less than the face amount of accounts receivable sold by an amount that approximates the purchaser's financing cost of issuing its own commercial paper backed by these accounts receivable. This loss on the September, 2000 transaction will be approximately $300,000 in the first quarter of fiscal 2001 and represents the difference between the fair market value and the book value of the receivables contributed and sold.

At September 30, 2000, $60,000,000 of borrowings and $47,865,000 of letters of credit were outstanding under the Ferrellgas, L.P. credit facility. These borrowings currently carry interest rates ranging from 8.88% to 8.94%. At September 30, 2000, Ferrellgas, L.P. had $89,135,000 available for general corporate, acquisition and working capital purposes under the credit facility and the accounts receivable facility. Based on the pricing grid contained in the credit facility, the current borrowing rate for future borrowings under the credit facility is London Interbank Offered Rate plus 2.25%. The Partnership believes that during fiscal 2001 these facilities will be sufficient to meet its working capital needs. However, if the Partnership were to experience an unexpected significant increase in working capital requirements, it could cause the Partnership to exceed its immediately available resources. Events that could cause increases in working capital requirements include a significant increase in the cost of propane compared to current levels, a significant delay in the collections of accounts receivable or increased volatility in commodity prices related to risk management activities. The Partnership would consider alternatives to provide increased working capital. No assurances can be given, however, that such alternatives can or will be implemented.

Although The Williams Companies has the right to convert any outstanding senior common units into common units at a premium on February 1, 2002 or upon the occurrence of a material event, the Partnership intends to redeem the senior common units at par value prior to the date of conversion. No assurances can be given that the Partnership will be successful in securing the financing to redeem the senior common units.

On August 17, 2000, the Partnership declared an in-kind distribution of $1.00 per senior common unit payable by the issuance of additional senior common units and a cash distribution of $0.50 per common unit, that was paid on September 14, 2000. See Notes C and F in the Consolidated Financial Statements included elsewhere in this report for additional information regarding the in-kind distributions to the senior common unitholders.

New Accounting Pronouncements. The Financial Accounting Standards Board recently issued Statement of Financial Accounting Standards No. 133 "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133, as amended by SFAS No. 137 and No. 138 is required to be adopted by the Partnership for the first quarter of fiscal 2001. SFAS No. 133 requires that all derivative instruments be recorded in the balance sheet at fair value. The provisions of SFAS No. 133 will impact the Partnership's accounting for certain options hedging overall purchase price risk. Under the provisions of SFAS No. 133, changes in the fair value of certain positions qualifying as cash flow hedges will be recorded in accumulated other comprehensive income. Changes in the fair value of certain other positions not qualifying as hedges under SFAS No. 133

will be recorded in the statement of earnings. As a result of these changes in classification, the Partnership will recognize in its first quarter of fiscal 2001 gains totaling approximately $709,000 and $299,000 in accumulated other comprehensive income and the statement of earnings, respectively. In addition, beginning in the first quarter of fiscal 2001, the Partnership will record subsequent changes in the fair value of positions qualifying as cash flow hedges in accumulated other comprehensive income and changes in the fair value of other positions in the statement of earnings.

In December 1999, the staff of the Securities and Exchange Commission issued Staff Accounting Bulletin No. 101 entitled "Revenue Recognition". The bulletin, as amended, is to be adopted, if needed, no later than the fourth fiscal quarter of fiscal years commencing after December 15, 1999, with retroactive adjustment to the first fiscal quarter of that year. Management will implement this bulletin in the first quarter of fiscal 2001 and believes that it will have no material affect on the Partnership's financial position, results of operations or cash flows.

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

The market risk inherent in the Partnership's market risk sensitive instruments and positions is the potential loss arising from adverse changes in commodity prices. Additionally, the Partnership seeks to mitigate its interest rate risk exposure on variable rate debt and operating leases by interest rate collar and cap agreements. At July 31, 2000, the Partnership had $190,000,000 in variable rate debt and $25,000,000 notional amount of interest rate collar agreements outstanding, after considering the effect of the swap transaction. The variable rate debt increased in fiscal 2000 by $160,000,000 due to the swap transaction. At July 31, 2000, the Partnership had $159,200,000 outstanding in variable rate operating leases and $159,200,000 notional amount of interest rate collar agreements outstanding to mitigate the related variable rate exposure. Both the operating leases and interest rate collar agreements were entered into in fiscal 2000. Thus, assuming a 100 basis point increase in the variable interest rate to the Partnership during fiscal 2001, the interest rate risk related to the variable rate debt, the operating tank leases, the swap transaction and the associated interest rate collar and cap agreements would be an increase of $3,370,000.

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

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

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

Sensitivity Analysis. The Partnership has prepared a sensitivity analysis to estimate the exposure to market risk of its energy commodity positions. Forward contracts, futures, swaps and options were analyzed assuming a hypothetical 10% change in forward prices for the delivery month for all energy commodities. The potential loss in future earnings from these positions from a 10% adverse movement in market prices of the underlying energy commodities is estimated at $4,448,000 as of July 31, 2000. The preceding hypothetical analysis is limited because changes in prices may or may not equal 10%, thus, actual results may differ.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

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

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

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANTS.

Partnership Management

Ferrellgas, Inc. manages and operates the activities of the Partnership and anticipates that its activities will be limited to that management and operation. Unitholders do not directly or indirectly participate in the management or operation of the Partnership.

Ferrellgas, Inc. has appointed persons who are neither officers nor employees of Ferrellgas, Inc. or any affiliate of Ferrellgas, Inc. to serve on its audit committee. At the request of Ferrellgas, Inc., the audit committee has the authority to review specific matters which Ferrellgas, Inc. believes may be a conflict of interest with the Partnership. The audit committee determines if the resolution of that conflict as proposed by Ferrellgas, Inc. is fair and reasonable to the Partnership. Ferrellgas, Inc. has sole discretion to determine which matters, if any, to submit to the audit committee. In addition, the audit committee has the authority and responsibility for selecting the Partnership's independent public accountants, reviewing the Partnership's annual audit and resolving accounting policy questions. Any matters approved by the audit committee are conclusively deemed to be fair and reasonable to the Partnership, approved by all unitholders of the Partnership and not a breach by Ferrellgas, Inc. of any duties it may owe the Partnership or its Unitholders.

The Partnership does not directly employ any of the persons responsible for managing or operating the Partnership. At September 30, 2000, 4,532 full-time and 882 temporary and part-time individuals were employed by Ferrellgas, Inc.

Directors and Executive Officers of the General Partner

The following table sets forth certain information with respect to the directors and executive officers of Ferrellgas, Inc. as of October 5, 2000. Each

of the persons named below is elected to their respective office or offices annually. On October 5, 2000, Danley K. Sheldon resigned as the Chief Executive Officer, President and Director of Ferrellgas, Inc. and affiliates.

Name	Age	Director Since	Position
James E. Ferrell	61	1984	Chairman of the Board, Chief Executive Officer, President and a Director of Ferrellgas, Inc.
Patrick J. Chesterman	50		Executive Vice President and Chief Operating Officer
James M. Hake	40		Senior Vice President, Corporate Development
Kevin T. Kelly	35		Senior Vice President , Chief Financial Officer and Treasurer
Boyd H. McGathey	41		Senior Vice President, Corporate Administration and Chief Information Officer
A. Andrew Levison	44	1994	Director of Ferrellgas, Inc.
Elizabeth T. Solberg	61	1998	Director of Ferrellgas, Inc.
Michael F. Morrissey	58	1999	Director of Ferrellgas, Inc.

James E. Ferrell--Mr. Ferrell has been with Ferrell Companies or its predecessors and its affiliates in various executive capacities since 1965, including Chairman of the Board of Ferrellgas, Inc. He was named Chief Executive Officer and President of Ferrellgas, Inc. on October 5, 2000. He previously served as Ferrellgas, Inc.'s Chief Executive Officer until August 1998 and as President until October 1996.

Patrick J. Chesterman--Mr. Chesterman was named Executive Vice President and Chief Operating Officer of Ferrellgas, Inc. in June 2000. He had been Executive Vice President and Chief Operating Officer, Ferrell North America since April 1998 after having served as Senior Vice President, Supply since September 1997. After joining Ferrellgas, Inc. in June, 1994, he had one-year assignments as Vice President-Retail Operations, Director of Field Support, and Director of Human Resources. Prior to joining Ferrellgas, Inc., Mr. Chesterman was Director of Fuels Policy and Operations for the U.S. Air Force.

James M. Hake--Mr. Hake was named Senior Vice President, Corporate Development in June, 2000. He had been Senior Vice President or Vice President, Acquisitions of Ferrellgas, Inc. since October, 1994. He joined Ferrellgas, Inc. in 1986.

Kevin T. Kelly--Mr. Kelly was named Senior Vice President in October 2000, Chief Financial Officer in May 1998 and Treasurer in August 1998. After joining Ferrellgas, Inc. in June 1996, he served as Director of Finance and Corporate Controller until May 1998. Prior to joining Ferrellgas, Inc., Mr. Kelly was Manager of Project Acquisitions with UtiliCorp United, Inc.

Boyd H. McGathey--Mr. McGathey was named Senior Vice President, Corporate Administration and Chief Information Officer in June 2000, after having served as Vice President, Chief Operating Officer-Eastern U.S. since August 1998. He served as Regional Vice President since February 1997. After joining Ferrellgas, Inc. in 1989, he held District Manager and Area Manager positions.

A. Andrew Levison--Mr. Levison was elected a Director of Ferrellgas, Inc. in September 1994. He is also a member of the Audit Committee. Mr. Levison retired in 2000 after having been a Managing Director of Donaldson, Lufkin & Jenrette Securities Corporation since 1989.

Elizabeth T. Solberg--Ms. Solberg was elected a Director of Ferrellgas, Inc. in July 1998. She is also a member of the Audit Committee. Ms. Solberg is Regional President and Senior Partner of Fleishman-Hillard, Inc. and has been with the firm since 1976. She has been a member of the Board of Directors of Kansas City Life Insurance Company since 1997.

Michael F. Morrissey--Mr. Morrissey was elected a Director of Ferrellgas, Inc. in November 1999. He is also Chairman of the Audit Committee. Mr. Morrissey retired as the Managing Partner of Ernst & Young's Kansas City office in the fall of 1999. He had been with that firm, or its predecessor, since 1975.

Compensation of the General Partner

Ferrellgas, Inc. receives no management fee or similar compensation in connection with its management of the Partnership and receives no remuneration other than:

- distributions on its combined 2% general partner interest in the Partnership, and,
- reimbursement for all direct and indirect costs and expenses incurred on behalf of the Partnership, all selling, general and administrative expenses incurred by Ferrellgas, Inc. for or on behalf of the Partnership and all other expenses necessary or appropriate to the conduct of the business of, and allocable to, the Partnership. The selling, general and administrative expenses reimbursed include specific employee benefits and incentive plans for the benefit of the executive officers and employees of Ferrellgas, Inc.

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

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

Based solely on its review of the copies of such forms received by Ferrellgas, Inc., or written representations from certain reporting persons that no Annual Statement of Beneficial Ownership of Securities on Form 5 were required for those persons, Ferrellgas, Inc. believes that during fiscal year 2000 all filing requirements applicable to its officers, directors, and greater than 10% beneficial owners were met in a timely manner.

ITEM 11. Executive Compensation.

Summary Compensation Table

The following table sets forth the compensation for the past three years of Ferrellgas, Inc.'s Chief Executive Officer and the four most highly compensated executive officers other than the Chief Executive Officer, who were serving as executive officers at the end of the 2000 fiscal year.

Name and Principal Position	Year	Annual Compensation		Long-Term Compensation		All Other Compensation ($)
		Salary ($)	Bonus (1) ($)	Awards: Stock Options(2) (#)	Pay-outs: Long-Term Incentive Payouts ($)	
Danley K. Sheldon (3)	2000	381,261	---	---	---	13,880 (4)
President and Chief	1999	344,802	123,420	937,500	---	12,883
Executive Officer	1998	225,000	50,000	---	---	20,104
Patrick J. Chesterman	2000	212,646	202,125	50,000	---	13,701 (4)
Executive Vice President,	1999	198,338	110,000	200,000	---	31,197
And Chief Operating Officer	1998	161,500	25,000	---	---	15,530
James M. Hake	2000	182,226	75,000	25,000	---	9,594 (4)
Senior Vice President,	1999	181,667	55,830	200,000	---	8,140
Corporate Development	1998	120,000	85,000	---	---	15,887
Kevin T. Kelly	2000	160,319	75,000	75,000	---	8,184 (4)
Senior Vice President,	1999	142,808	25,000	150,000	---	5,001
Chief Financial Officer	1998	99,014	50,000	---	---	9,376
Boyd H. McGathey	2000	153,659	75,000	25,000	---	7,053 (4)
Senior Vice President, Corp Administration and Chief Information Officer	1999	140,003	24,348	200,000	---	37,038

(1) Mr. Sheldon received a bonus in fiscal 1998 and 1999 pursuant to his employment agreement. All other named executives participate in the Ferrellgas Annual Incentive Plan. Awards under both plans are for the year reported, regardless of the year paid.

(2) The awards are to grants of stock options from the Incentive Compensation Plan, a non-qualified stock option plan of Ferrell Companies.

(3) On October 5, 2000, Danley K. Sheldon resigned as the Chief Executive Officer, President and Director of Ferrellgas, Inc. and affiliates.

(4) Includes for Mr. Sheldon contributions of $12,674 to the employee's 401(k) and profit sharing plans and compensation of $1,206 resulting from the payment of life insurance premiums. Includes for Mr. Chesterman contributions of $13,033 to the employee's 401(k) and profit sharing plans and compensation of $668 resulting from the payment of life insurance premiums. Includes for Mr. Hake contributions of $9,077 to the employee's 401(k) and profit sharing plans and compensation of $517 resulting from the payment of life insurance premiums. Includes for Mr. Kelly contributions of $8,184 to the employee's 401(k) and profit sharing plans. Includes for Mr. McGathey contributions of $6,513 to the employee's 401(k) and profit sharing plans and compensation of $540 resulting from the payment of life insurance premiums.

Unit Options

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

Ferrellgas, Inc. has granted options to purchase units, 720,525 of which

are outstanding at July 31, 2000, at prices ranging from $16.80 to $21.67 per unit, which was an estimate of the fair market value of the units at the time of the grant. The options vest immediately or over a one to five year period, and expire on the tenth anniversary of the date of the grant. As of July 31, 2000, 720,525 options were outstanding. On July 31, 2000, 546,875 of the unit options were exercisable. Effective August 1, 1999, with the conversion of the subordinated units, the units covered by the options are common units.

There were no grants of unit options during the 2000 fiscal year.

The following table lists information on the CEO and named executive officers' exercised/unexercised unit options as of October 16, 2000.

AGGREGATED OPTION EXERCISES IN LAST FISCAL YEAR AND FISCAL YEAR-END OPTION VALUES

			Number of Securities Underlying Unexercised Options At Fiscal Year-End (#)	Value of Unexercised In-The-Money Options at Fiscal Year-End ($)
Name	Shares Acquired on Exercise (#)	Value Realized ($)	Exercisable/ Unexercisable	Exercisable/ Unexercisable
Danley K. Sheldon (1)	0	0	88,000/12,000	0/0
Patrick J. Chesterman	0	0	19,200/10,800	0/0
James M. Hake	0	0	45,000/6,000	0/0
Kevin T. Kelly	0	0	6,000/4,000	0/0
Boyd H. McGathey	0	0	7,500/0	0/0

(1) On October 5, 2000, Danley K. Sheldon resigned as the Chief Executive Officer, President and Director of Ferrellgas, Inc. and affiliates.

Employee Stock Ownership Plan

On July 17, 1998, pursuant to the Ferrell Companies, Inc. Employee Stock Ownership Plan, an employee stock ownership trust purchased all of the outstanding common stock of Ferrell. The purpose of the Employee Stock Ownership Plan is to provide employees of Ferrellgas, Inc. an opportunity for ownership in Ferrell Companies and indirectly in the Partnership. Ferrell Companies makes contributions to the Employee Stock Ownership Plan which allows a portion of the shares of Ferrell Companies owned by the Employee Stock Ownership Plan to be allocated to employees' accounts over time.

Incentive Compensation Plan

On July 17, 1998, a nonqualified stock option plan was established by Ferrell Companies to allow upper-middle and senior level managers of Ferrellgas, Inc. to participate in the equity growth of Ferrell Companies, and indirectly in the equity growth of the Partnership. The shares underlying the stock options are common shares of Ferrell Companies. The following table lists information on the named executive officers' stock options granted in the fiscal year ended July 31, 2000.

OPTION GRANTS IN LAST FISCAL YEAR

	Individual Grant				
Name	Number of Securities Underlying Options Granted	% of Total Options Granted to Employees in Fiscal Year	Exercise Price ($/Share)	Expiration Date	Grant date Present value $
Patrick J. Chesterman	50,000	8.5	4.12	01-31-18	90,284
James M. Hake	25,000	4.3	4.12	01-31-18	45,142
Kevin T. Kelly	75,000	4.3	4.12-4.75	01-31-18	138,811
Boyd H. McGathey	25,000	12.8	4.12-4.75	01-31-18	47,678

The Ferrell Companies stock options vest ratably in 5% to 10% increments over 12 years or 100% upon a change of control, death, disability or retirement of the participant. Vested options are exercisable in increments based on the timing of the payoff of Ferrell Companies debt, but in no event later than 20 years from the date of issuance.

The grant date present value is based on a binomial option valuation model. The key input variables used in valuing the options were the following: risk-free interest rate of 6.4%; dividend amount of $0; Ferrell Companies stock price volatility of 10.1%; options exercised 25% in 2006, 25% in 2007 and 10% in years 2009 through 2013, because this is most likely assuming the Ferrell Companies debt is retired as scheduled. Only two stock values were used in the computation of volatility as Ferrell Companies common stock is not publicly traded and has only had two valuations since the grant date. No adjustments for non-transferability or risk of forfeiture were made. The actual value, if any, a grantee may realize will depend on the excess of the Ferrell Companies stock price over the exercise price on the date the option is exercised, so that there is no assurance the value realized will be at or near the value estimated by the binomial option valuation model.

The following table lists information on the CEO and named executive officers' exercised/unexercised nonqualified stock options as of October 16, 2000.

AGGREGATED OPTION EXERCISES IN LAST FISCAL YEAR AND FISCAL YEAR-END OPTION VALUES

			Number of Securities Underlying Unexercised Options At Fiscal Year-End (#)	Value of Unexercised In-The-Money Options at Fiscal Year-End ($)
Name	Shares Acquired on Exercise (#)	Value Realized ($)	Exercisable/ Unexercisable	Exercisable/ Unexercisable
Danley K. Sheldon (1)	0	0	0/937,500	0/18,750
Patrick J. Chesterman	0	0	0/250,000	0/4,000
James M. Hake	0	0	0/225,000	0/4,000
Kevin T. Kelly	0	0	0/225,000	0/3,000
Boyd H. McGathey	0	0	0/225,000	0/4,000

(1) On October 5, 2000, Danley K. Sheldon resigned as the Chief Executive Officer, President and Director of Ferrellgas, Inc. and affiliates.

Profit Sharing Plan

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

Historically, the annual contribution to the profit sharing plan has been 1% to 7% of each participant's annual wage or salary. With the establishment of the employee stock ownership plan in July 1998, the Partnership suspended future contributions to the profit sharing plan beginning with fiscal year 1998. The profit sharing plan also has a 401(k) feature allowing all full-time employees to specify a portion of their pre-tax and/or after-tax compensation to be contributed to the profit sharing plan. The profit sharing plan also provides for matching contributions under a cash or deferred arrangement based upon participant salaries and employee contributions to the plan.

Supplemental Savings Plan

The Ferrell Supplemental Savings Plan was established October 1, 1994 in order to provide certain management or highly compensated employees with supplemental retirement income which is approximately equal in amount to the retirement income that would have been provided to members of the select group of employees under the terms of the 401(k) feature of the profit sharing plan based on such members' deferral elections thereunder, but which could not be provided under the 401(k) feature of the profit sharing plan due to the application of certain IRS rules and regulations.

Employment Agreements

On July 17, 1998, Mr. James E. Ferrell, as Chairman of the Board of Ferrellgas, Inc., entered into a five year employment agreement with automatic one year renewals. He receives a monthly salary of not less than $10,000 and a bonus based on the annual increase in the equity value of Ferrell. In addition to his compensation, Mr. Ferrell participates in the Partnership's various employee benefit plans, with the exception of the employee stock ownership plan and the nonqualified stock option plan of Ferrell.

Pursuant to the terms of Mr. Ferrell's employment agreement, in the event of a termination without cause, resignation for cause or a change of control of Ferrell Companies or Ferrellgas, Inc., Mr. Ferrell is entitled to a cash amount equal to three times the greater of 125% of his current base salary or the average compensation paid for the prior three fiscal years.

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

During the first quarter of fiscal 2001, Patrick J. Chesterman, James M. Hake, Boyd H. McGathey and Kevin T. Kelly each entered into three year employment agreements. In addition to receiving an annual salary, each are entitled to a bonus based on the earnings of the Partnership and individual performance.

Pursuant to the terms of each employment agreement, in the event of a termination without cause or resignation for cause, each are entitled to a cash amount equal to two times their current base salary. If a change of control of Ferrell Companies or Ferrellgas, Inc. occurs, each will receive a cash termination benefit equal to two and a half times the greater of 125% of his current base salary or the average three year compensation paid. Messrs. Chesterman, Hake, McGathey and Kelly will receive an annual salary of not less than $285,000, $192,000, $180,000 and $180,000, respectively.

Messrs. Chesterman, Hake, McGathey and Kelly's agreements contain non-compete provisions for a period of two years following their termination of employment. The non-compete provisions provide that they shall not directly or indirectly own, manage, control, or engage in any business with any person whose business is substantially similar to the business of the Partnership.

On October 5, 2000, Danley K. Sheldon resigned as the Chief Executive Officer, President and Director of Ferrellgas, Inc. and affiliates. In accordance with his employment agreement, Mr. Sheldon will receive 60 days pay after the date of his resignation.

Compensation of Directors

Ferrellgas, Inc. does not pay any additional remuneration to its employees for serving as directors, except for the monthly salary of not less than $10,000 paid to Mr. Ferrell pursuant to his employment agreement as discussed above in "Employment Agreements". Beginning in fiscal 1999, directors who are not employees of Ferrellgas, Inc. receive an annual retainer of $16,000. They also currently receive a fee per meeting of $1,000 if they attend in person and $500 if they participate by telephone, plus reimbursement for out-of-pocket expenses.

ITEM 12. Security Ownership of Certain Beneficial Owners and Management.

The following table sets forth certain information as of October 5, 2000, regarding the beneficial ownership of the common units of Ferrellgas Partners by beneficial owners that are directors and named executive officers of Ferrellgas, Inc., and all directors and executive officers of Ferrellgas, Inc. as a group. All subordinated units converted to common units effective August 1, 1999. Ferrellgas, Inc. knows of no other person beneficially owning more than 5% of the common units. The senior common units currently are not voting securities of the Partnership and therefore are not presented in the table below.

Ferrellgas Partners, L.P.

Title of Class	Name and Address of Beneficial Owner	Units Beneficially Owned	Percentage of Class
Common Units	Employee Stock Ownership Trust	17,817,600	56.9
	James E. Ferrell	10,000	*
	Patrick J. Chesterman	19,400	*
	James M. Hake	45,400	*
	Kevin T. Kelly	6,265	*
	Boyd H. McGathey	7,700	*
	Elizabeth T. Solberg	8,200	*
	A. Andrew Levison	35,300	*
	Michael F. Morrissey	775	*
	All Directors and Officers as a Group	133,040	*

* Less than one percent

Beneficial ownership for the purposes of the foregoing table is defined by Rule 13d-3 under the Securities Exchange Act of 1934. Under that rule, a person is generally considered to be the beneficial owner of a security if he has or shares the power to vote or direct the voting thereof or to dispose or direct the disposition thereof or has the right to acquire either of those powers within 60 days. See the Aggregated Option Exercises In Last Fiscal Year And Fiscal Year-End Option Values table above for the number of common units that could be acquired by named executive officers through exercising common unit options.

The address for LaSalle National Bank, the trustee for the Ferrell Companies, Inc. Employee Stock Ownership Trust is 125 S. LaSalle Street, 17th Floor, Chicago, Illinois, 60603. The common units owned by the Employee Stock Ownership Trust includes 17,803,883 Common Units owned by Ferrell Companies which is 100% owned by the Employee Stock Ownership Trust and 13,717 common units owned by Ferrell Propane, Inc., a wholly-owned subsidiary of Ferrellgas, Inc.

ITEM 13. Certain Relationships and Related Transactions.

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

The Partnership has no employees and is managed and controlled by Ferrellgas, Inc. Pursuant to the partnership agreement, Ferrellgas, Inc. is entitled to reimbursement for all direct and indirect expenses incurred or payments made on behalf of the Partnership, and all other necessary or appropriate expenses allocable to the Partnership or otherwise reasonably incurred by Ferrellgas, Inc. in connection with operating the Partnership's business. These costs, which totaled $179,033,000 for the year ended July 31, 2000, include compensation and benefits paid to officers and employees of Ferrellgas, Inc. and general and administrative costs. In addition, the conveyance of the net assets of Ferrellgas, Inc. to the Partnership upon the formation of the Partnership included the assumption of specific liabilities related to employee benefit and incentive plans for the benefit of the officers and employees of Ferrellgas, Inc.

During fiscal 2000 two affiliates of the Partnership, Ferrell International Limited. and Ferrell Resources, LLC, which are owned by the chairman of the board, James E. Ferrell, paid the Partnership a total of $313,000 for accounting and administration services. In connection with its risk management activities, the Partnership entered into, with Ferrell International Limited as a counterparty, certain forward, futures and swaps contracts for trading purposes and certain option contracts for purposes other than trading. During fiscal 2000, the Partnership recognized net purchases of $8,508,000, recorded in other revenue related to these transactions. Amounts due from Ferrell International Limited at July 31, 2000 were $1,826,000. Amounts due to Ferrell International Limited at July 31, 2000 were $1,484,000. The Partnership also leased propane tanks from Ferrell Propane, Inc., a subsidiary of Ferrellgas, Inc. The Partnership recognized $515,000 of lease expense during fiscal year 2000. The Partnership believes these transactions were under terms that were no less favorable to the Partnership than those arranged with third parties.

During fiscal 2000, The Williams Companies became a related party to the Partnership due to the Partnership's issuance of senior common units. See further discussion of senior common units and the Thermogas acquisition in Notes F and L of the Consolidated Financial Statements provided herein. The Partnership recognized wholesale sales of $2,091,000 to The Williams Companies and purchases of $13,175,000 from The Williams Companies and its affiliates related to the Partnership's wholesale and risk management activity. In connection with its risk management activities, the Partnership entered into, with The Williams Companies as a counterparty, certain forward, futures and swaps contracts for trading purposes and certain option contracts for purposes other than trading. During fiscal 2000, the Partnership recognized net sales (purchases) related to these transactions of $9,530,000, which are classified in other revenue on the statement of earnings. The Partnership believes these transactions were under terms that were no less favorable to the Partnership than those arranged with third parties.

The Williams Companies provided propane supply and general and administrative services to the Partnership to assist in the integration of the acquisition. The Partnership recognized $67,547,000, $4,062,000 and $176,000 to The Williams Companies in fiscal 2000 and classified these costs in cost of goods sold, general and administrative expenses and operating expenses, respectively. The Partnership believes these transactions were under terms that were no less favorable to the Partnership than those available with other parties. Amounts due to The Williams Companies at July 31, 2000 was $5,045,000. Amounts due from The Williams Companies at July 31, 2000 was $13,000.

See Note L to the Consolidated Financial Statements in Item 14 for discussion of transactions involving acquisitions related to Ferrellgas, Inc. and the Partnership.

PART IV

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

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

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

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

(b) Reports on Form 8-K.

The Partnership did not file a Form 8-K during the quarter ended July 31, 2000.

INDEX TO EXHIBITS

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

Exhibit Number	Description
2.1	Purchase Agreement by and among Ferrellgas Partners, L.P., and Williams Natural Gas Liquids, Inc., November 7, 1999. Incorporated by reference to the same numbered Exhibit to the Registrant's Current Report on Form 8-K filed November 12, 1999.
2.2	Amendment No. 1 to Purchase Agreement by and among Ferrellgas Partners, L.P., Ferrellgas L.P., and Williams Natural Gas Liquids, Inc., dated as of December 17, 1999. Incorporated by reference to the same numbered Exhibit to the Registrant's Current Report on Form 8-K filed December 29, 1999.
2.3	Amendment No. 2 to Purchase Agreement as of March 14, 2000, by and among Ferrellgas Partners, L.P., Ferrellgas L.P., and Williams Natural Gas Liquids, Inc. Incorporated by reference to Exhibit 2.1 to Registrant's Quarterly Report on Form 10-Q filed March 16, 2000.
3.1	Second Amended and Restated Agreement of Limited Partnership of Ferrellgas Partners, L.P., dated as of June 5, 2000. Incorporated by reference to the same numbered Exhibit to Registrant's Quarterly Report on Form 10-Q filed June 15, 2000.
3.2	Articles of Incorporation for Ferrellgas Partners Finance Corp. Incorporated by reference to the same numbered Exhibit to Registrant's Quarterly Report on Form 10-Q filed June 13, 1997.
3.3	Bylaws of Ferrellgas Partners Finance Corp. Incorporated by reference to the same numbered Exhibit to Registrant's Quarterly Report on Form 10-Q filed June 13, 1997.
4.1	Indenture dated as of April 30, 1996, among Ferrellgas Partners, L.P., Ferrellgas Partners Finance Corp., Ferrellgas, L.P. as guarantor, and American Bank National Association, as Trustee, relating to $160,000,000 9 3/8% Senior Secured Notes due 2006. Incorporated by reference to Exhibit 4.1 to Registrant's Current Report on Form 8-K filed on May 6, 1996.

4.2 Ferrellgas, L.P., Note Purchase Agreement dated as of July 1, 1998 Re: $109,000,000 6.99% Senior Notes, Series A, due August 1, 2005, $37,000,000 7.08% Senior Notes, Series B, due August 1, 2006, $52,000,000 7.12% Senior Notes, Series C, due August 1, 2008, $82,000,000 7.24% Senior Notes, Series D, due August 1, 2010, $70,000,000 7.42% Senior Notes, Series E, due August 1, 2013. Incorporated by reference to the Exhibit 4.4 to Registrant's Annual Report on Form 10-K filed October 29, 1998

4.3 Registration Rights Agreement dated as of December 17, 1999 by and between Ferrellgas Partners, L.P. and Williams Natural Gas Liquids, Inc. Incorporated by reference to Exhibit 4.2 to Registrant's Current Report on Form 8-K filed December 29, 2000.

4.4 First Amendment to the Registration Rights Agreement dated as of March 14, 2000, by and between Ferrellgas Partners, L.P. and Williams Natural Gas Liquids, Inc. Incorporated by reference to Exhibit 4.1 to Registrant's Quarterly Report on Form 10-Q filed March 16, 2000.

4.5 Ferrellgas, L.P., Note Purchase Agreement dated as of February 28, 2000 Re: $21,000,000 8.68% Senior Notes, Series A, due August 1, 2006, $70,000,000 8.78% Senior Notes, Series B, due August 1, 2007, and $93,000,000 8.87% Senior Notes, Series C, due August 1, 2009. Incorporated by reference to Exhibit 4.2 to Registrant's Quarterly Report on Form 10-Q filed March 16, 2000.

10.1 Ferrell Companies, Inc. Supplemental Savings Plan. Incorporated by reference to the Exhibit 10.7 to Registrant's Annual Report on Form 10-K filed October 17, 1995.

10.2 Amended and Restated Ferrellgas, Inc. Unit Option Plan. Incorporated by reference to the Exhibit 10.1 to Registrant's Registration Statement on Form S-8 File No. 333-87633 filed with the Commission on September 23, 1999.

10.3 Second Amended and Restated Agreement of Limited Partnership of Ferrellgas, L.P. dated as of October 14, 1998. Incorporated by reference to Exhibit 10.1 to Registrant's Quarterly Report on Form 10-Q filed March 17, 1999.

10.4 Pledge and Security Agreement dated as of April 26, 1996, among Ferrellgas Partners, L.P., Ferrellgas, Inc., and American Bank National Association, as collateral agent. Incorporated by reference to Exhibit 10.2 to Registrant's Current Report on Form 8-K filed May 6, 1996.

10.5 Ferrell Companies, Inc. 1998 Incentive Compensation Plan - Incorporated by reference to the Exhibit 10.12 to Registrant's Annual Report on Form 10-K filed October 29, 1998.

10.6 Employment agreement between James E. Ferrell and Ferrellgas, Inc. dated July 31, 1998. Incorporated by reference to the Exhibit 10.13 to Registrant's Annual Report on Form 10-K filed October 29, 1998.

10.7 Lease Intended as Security dated as of December 1, 1999, between Ferrellgas, L.P., as Lessee and First Security Bank, National Association, solely as Certificate Trustee, as Lessor. Incorporated by reference to Exhibit 10.1 to Registrant's Quarterly Report on Form 10-Q filed December 13, 1999.

10.8 Lease Intended as Security dated as of December 15, 1999, between Thermogas L.L.C. as Lessee and First Security Bank, National Association, solely as Certificate Trustee, as Lessor. Incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K filed December 29, 2000.

10.9 Participation Agreement dated as of December 1, 1999, among Ferrellgas, L.P., as Lessee, Ferrellgas, Inc. as General Partner, First Security Bank, National Association, solely as Certificate Trustee, First Security Trust Company of Nevada, solely as Agent, and the persons named on Schedule I-B, as Lenders and Appendix I to Participation Agreement. Incorporated by reference to Exhibit 10.2 to Registrant's Quarterly Report on Form 10-Q filed December 13, 1999.

10.10 Participation Agreement dated as of December 15, 1999, among Thermogas L.L.C., as Lessee, The Williams Companies, Inc., First Security Bank, National Association, solely as Certificate Trustee, First Security Trust Company of Nevada, solely as Agent, and the purchasers named therein. Incorporated by reference to Exhibit 10.2 to Registrant's Current Report on Form 8-K filed December 29, 2000

10.11 Omnibus Amendment Agreement No.2, Dated as of April 18, 2000, In respect of Ferrellgas, L.P. Trust No. 1999-A Participation Agreement Lease Intended as Security Loan Agreement each dated as of December 1, 1999. Incorporated by reference to Exhibit 10.3 to Registrant's Quarterly Report on Form 10-Q filed June 14, 2000.

10.12 Omnibus Amendment Agreement No.2, Dated as of April 18, 2000, In respect of Ferrellgas, L.P. Trust No. 1999-A Participation Agreement Lease Intended as Security Loan Agreement each dated as of December 15, 1999. Incorporated by reference to Exhibit 10.4 to Registrant's Quarterly Report on Form 10-Q filed June 14, 2000.

10.13 Assumption Agreement dated as of December 17, 1999 executed by Ferrellgas, L.P. and Ferrellgas, Inc., for the benefit of the First Security Trust Company of Nevada as agent, First Security Bank, National Association solely as Certificate Trustee and the purchasers and lenders named therein. Incorporated by reference to Exhibit 10.3 to Registrant's Current Report on Form 8-K filed December 29, 2000.

10.14 First Amendment to the Second Amended and Restated Agreement of Limited Partnership of Ferrellgas, L.P. Incorporated by reference to Exhibit 10.2 to Registrant's Quarterly Report on Form 10-Q filed June 14, 2000.

10.15 Third Amended and Restated Credit Agreement dated as of April 18, 2000, among Ferrellgas, L.P., Ferrellgas, Inc., Bank of America National Trust and Savings Association, as agent, and the other financial institutions party thereto. Incorporated by reference to Exhibit 10.1 to Registrant's Quarterly Report on Form 10-Q filed June 14, 2000

* 10.17 Receivable Interest Sale Agreement dated as of September 26, 2000 between Ferrellgas, L.P., as Originator, and Ferrellgas Receivables, L.L.C., as buyer.

* 10.18 Receivables Purchase Agreement dated as of September 26, 2000 among Ferrellgas Receivables, L.L.C., as seller, Ferrellgas, L.P., as Servicer, Jupiter Secruritization Corporation, the financial institutions from time to time party hereto, and Bank One, N.A., main office Chicago, as agent.

*# 10.19 Employment agreement between Patrick Chesterman and Ferrellgas, Inc. dated July 31, 2000.

*# 10.20 Employment agreement between James Hake and Ferrellgas, Inc. dated July 31, 2000.

*# 10.21 Employment agreement between Boyd McGathey and Ferrellgas, Inc. dated July 31, 2000.

*# 10.22 Employment agreement between Kevin Kelly and Ferrellgas, Inc. dated July 31, 2000.

*21.1 List of subsidiaries.

*23.1 Consent of Deloitte & Touche, LLP, Independent Auditors.

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Management contracts or compensatory plans.
* Included herewith.

SIGNATURES

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

FERRELLGAS PARTNERS, L.P.

By Ferrellgas, Inc. (General Partner)

By /s/ James E. Ferrell

James E. Ferrell
Chariman, President and
Chief Executive Officer

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

Signature	Title	Date
/s/ James E. Ferrell - --- James E. Ferrell	Chairman, President and Chief Executive Officer (Principal Executive Officer)	10/23/00
/s/ A. Andrew Levison - --- A. Andrew Levison	Director	10/23/00
/s/ Elizabeth T. Solberg - --- Elizabeth T. Solberg	Director	10/23/00
/s/ Michael F. Morrissey - --- Michael F. Morrissey	Director	10/23/00
/s/ Kevin T. Kelly - --- Kevin T. Kelly	Senior Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	10/23/00

SIGNATURES

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

FERRELLGAS PARTNERS FINANCE CORP.

By /s/ James E. Ferrell

James E. Ferrell
Chairman and Chief Executive Officer

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

Signature	Title	Date
/s/ James E. Ferrell --- James E. Ferrell	Chief Executive Officer and Sole Director (Principal Executive Officer)	10/23/00
/s/ Kevin T. Kelly - --- Kevin T. Kelly	Chief Financial Officer (Principal Financial and Accounting Officer)	10/23/00

INDEX TO FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of Ferrellgas Partners, L.P. and subsidiaries ("the Partnership") as of July 31, 2000 and 1999, and the related consolidated statements of earnings, partners' capital and other comprehensive income and cash flows for each of the three years in the period ended July 31, 2000. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Ferrellgas Partners, L.P. and subsidiaries as of July 31, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended July 31, 2000, in conformity with accounting principles generally accepted in the United States of America.

/s/ DELOITTE & TOUCHE LLP
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DELOITTE & TOUCHE LLP
Kansas City, Missouri
September 14, 2000

FERRELLGAS PARTNERS, L.P. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except unit data)

ASSETS	July 31, 2000	July 31, 1999
Current Assets:		
Cash and cash equivalents	$ 14,838	$ 35,134
Accounts and notes receivable (net of allowance for doubtful accounts of $2,388 and $1,296 in 2000 and 1999, respectively)	89,801	58,380
Inventories	71,979	24,645
Prepaid expenses and other current assets	8,275	6,780
Total Current Assets	184,893	124,939
Property, plant and equipment, net	516,183	405,292
Intangible assets, net	256,476	118,117
Other assets, net	10,355	8,397
Total Assets	$967,907	$656,745
LIABILITIES AND PARTNERS' CAPITAL		
Current Liabilities:		
Accounts payable	$95,264	$60,754
Other current liabilities	77,631	48,266
Short-term borrowings	18,342	20,486
Total Current Liabilities	191,237	129,506
Long-term debt	718,118	583,840
Other liabilities	16,176	12,144
Contingencies and commitments (Note H)	-	-
Minority interest	2,032	906
Partners' Capital:		
Senior common unitholder (4,652,691 units outstanding at July 2000 - liquidation preference $186,108)	179,786	-
Common unitholders (31,307,116 and 14,710,765 units outstanding at July 2000 and 1999, respectively)	(80,931)	1,215
Subordinated unitholder (16,593,721 units outstanding at July 1999)	-	(10,516)
General partner unitholder(316,233 units outstanding at July 2000)	(58,511)	(59,553)
Accumulated other comprehensive income	-	(797)
Total Partners' Capital	40,344	(69,651)
Total Liabilities and Partners' Capital	$967,907	$656,745

See notes to consolidated financial statements.

FERRELLGAS PARTNERS, L.P. AND SUBSIDIARIES

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

	For the year ended July 31,		
	2000	1999	1998
Revenues:			
Gas liquids and related product sales	$867,779	$578,025	$622,423
Other	84,420	46,124	44,930
Total revenues	952,199	624,149	667,353
Cost of product sold (exclusive of depreciation, shown separately below)	524,155	273,388	342,600
Gross profit	428,044	350,761	324,753
Operating expense	255,838	205,720	199,010
Depreciation and amortization expense	61,633	47,257	45,009
Employee stock ownership plan compensation charge	3,733	3,295	350
General and administrative expense	24,587	19,174	17,497
Equipment lease expense	25,518	12,976	10,127
Operating income	56,735	62,339	52,760
Interest expense	(58,298)	(46,621)	(49,129)
Interest income	2,229	1,216	1,695
Gain (loss) on disposal of assets	356	(1,842)	(174)
Earnings before minority interest and extraordinary loss	1,022	15,092	5,152
Minority interest	162	309	209
Earnings before extraordinary loss	860	14,783	4,943
Extraordinary loss on early extinguishment of debt, net of minority interest of $130	-	(12,786)	-
Net earnings	860	1,997	4,943
Paid in kind distribution to senior common unitholders	11,108	N/A	N/A
General partner's interest in net earnings (loss) after paid in kind distribution	(102)	20	49
Common and subordinated unitholder's interest in net earnings (loss) after paid in kind distribution	$(10,146)	$ 1,977	$ 4,894
Basic and diluted earnings (loss) per common and subordinated unit:			
Earnings (loss) before extraordinary loss	$ (0.32)	$ 0.47	$ 0.16
Extraordinary loss	-	$ (0.41)	-
Net earnings (loss) after paid in kind distribution	$ (0.32)	$ 0.06	$ 0.16

See notes to consolidated financial statements.

FERRELLGAS PARTNERS, L.P. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF PARTNERS' CAPITAL AND OTHER COMPREHENSIVE INCOME
(in thousands)

	Number of units								Accumulated other	
	Senior common unitholder	Common unitholders	Sub-ordinated unitholder	General partner unitholder	Senior common unitholder	Common Unit-holders	Sub-ordinated unitholder	General partner unitholder	compre-hensive income	Total partners' capital
August 1, 1997	-	14,612.6	16,593.7	-	$ -	$52,863	$50,337	$(58,417)	$ -	$44,783
Common units issued in commection with acquisitions		87.1	-	-	-	2,000	-	20	-	2,020
Contribution in connection with ESOP compensation-charge	-	-	-	-	-	23	320	4	-	347
Quarterly distributions	-	-	-	-	-	(29,356)	(33,188)	(632)	-	(63,176)
Net earnings	-	-	-	-	-	2,455	2,439	49	-	4,943
July 31, 1998	-	14,699.7	16,593.7			27,985	19,908	(58,976)	-	(11,083)
Common units issued in connection with acquisitions		11.1	-	-	-	197	-	2	-	199
Contribution in connection with ESOP compensation-charge	-	-	-	-	-	219	3,010	33	-	3,262
Quarterly distributions	-	-	-	-	-	(29,409)	(33,188)	(632)	-	(63,229)
Other comprehensive income:										
Net earnings	-	-	-	-	-	2,223	(246)	20	-	1,997
Other comprehensive income- Pension liability adjustment	-	-	-	-	-	-	-	-	(797)	(797)
Comprehensive income										1,200
July 31, 1999	-	14,710.7	16,593.7	-	-	1,215	(10,516)	(59,553)	(797)	(69,651)
Conversion of subordinated units into common units	-	16,593.7	(16,593.7)	-	-	(10,516)	10,516	-	-	-
Units issued in connection with acquisitions:										
Common units	-	2.6	-	-	-	45	-	-	-	45
Senior common units	4,375.0	-	-	-	175,000	-	-	1,768	-	176,768
Fees paid to issue senior common units	-	-	-	-	(8,925)	-	-	-	-	(8,925)
General partner interest conversion to general partner units	-	-	-	316.2	-	-	-	-	-	-
Accretion of discount on senior common units	-	-	-	-	2,603	(2,575)	-	(28)	-	-
Contribution in connection with ESOP compensation charge	-	-	-	-	-	3,661	-	36	-	3,697
Quarterly cash distribution	-	-	-	-	-	(62,615)	-	(632)	-	(63,247)
Accrued paid in kind distributions	277.7	-	-	-	11,108	(10,997)	-	(111)	-	-
Other comprehensive income:										
Net earnings	-	-	-	-	-	851	-	9	-	860
Other comprehensive income- Pension liability adjustment	-	-	-	-	-	-	-	-	797	797
Comprehensive income										1657
July 31, 2000	4,652.7	31,307.1	-	316.2	$179,786	$(80,931)	$ -	$(58,511)	$ -	$40,344

See notes to consolidated financial statements.

FERRELLGAS PARTNERS, L.P. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	For the year ended July 31,		
	2000	1999	1998
Cash Flows From Operating Activities:			
Net earnings	$ 860	$ 1,997	$ 4,943
Reconciliation of net earnings to net cash from operating activities:			
Depreciation and amortization	61,633	47,257	45,009
Employee stock ownership plan compensation charge	3,733	3,295	350
Minority interest	162	301	209
Extraordinary loss, net of minority interest	-	12,786	-
Other	2,759	4,487	5,236
Changes in operating assets and liabilities, net of effects from business acquisitions:			
Accounts and notes receivable	(12,609)	(9,565)	9,313
Inventories	(25,423)	11,382	8,052
Prepaid expenses and other current assets	(731)	1,926	200
Accounts payable	10,418	12,737	8,695
Accrued interest expense	6,594	2,152	(157)
Other current liabilities	7,140	4,235	(7,799)
Other liabilities	(1,184)	(496)	286
Net cash provided by operating activities	53,352	92,494	74,337
Cash Flows From Investing Activities:			
Business acquisitions, net of cash acquired	47,656	(43,838)	(9,839)
Cash paid for acquisition transaction fees	(15,893)	-	-
Capital expenditures	(20,755)	(25,743)	(20,629)
Proceeds from sale leaseback transaction	25,000	-	-
Other	5,743	3,286	4,539
Net cash provided by (used in) investing activities	41,751	(66,295)	(25,929)
Cash Flows From Financing Activities:			
Distributions	(63,247)	(63,229)	(63,176)
Additions to long-term debt	226,490	408,113	21,094
Reductions of long-term debt	(276,111)	(338,613)	(2,759)
Cash paid for debt and lease financing costs	(3,163)	(12,827)	-
Net reductions to short-term borrowings	(2,144)	(664)	(636)
Minority interest activity	1,008	(810)	(798)
Cash contribution from general partner	1,768	-	-
Other	-	4	40
Net cash used in financing activities	(115,399)	(8,026)	(46,235)
Increase (decrease) in cash and cash equivalents	(20,296)	18,173	2,173
Cash and cash equivalents - beginning of period	35,134	16,961	14,788
Cash and cash equivalents - end of period	$14,838	$35,134	$16,961
Cash paid for interest	$49,176	$42,310	$46,546

See notes to consolidated financial statements.

A. Partnership Organization and Formation

Ferrellgas Partners, L.P. (the "MLP") was formed April 19, 1994, and is a publicly traded limited partnership, owning a 99% limited partner interest in Ferrellgas, L.P. (the "Operating Partnership" or "OLP"). The MLP and the OLP are both Delaware limited partnerships, and are collectively referred to as the Partnership. Ferrellgas Partners, L.P. was formed to acquire and hold a limited partner interest in the Operating Partnership. The Operating Partnership was formed to acquire, own and operate the propane business and assets of Ferrellgas, Inc. (the "Company" or "General Partner"), a wholly-owned subsidiary of Ferrell Companies, Inc. ("Ferrell"). Ferrell has a 50% limited partnership interest in Ferrellgas Partners, L.P. The Company has retained a 1% general partner interest in Ferrellgas Partners, L.P. and also holds a 1.0101% general partner interest in the Operating Partnership, representing a 2% general partner interest in the Partnership on a combined basis. As General Partner of the Partnership, the Company performs all management functions required for the Partnership.

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

On June 5, 2000, the MLP's Partnership Agreement was amended to allow the General Partner to have an option in maintaining its 1% general partner interest concurrent with the issuance of other additional equity. Additionally, the General Partner's interest in the MLP's Common Units was converted from a General Partner interest to General Partner units.

B. Summary of Significant Accounting Policies

(1) Nature of operations: The Partnership is engaged primarily in the sale, distribution, and marketing of propane and other natural gas liquids throughout the United States. The retail market is seasonal because propane is used primarily for heating in residential and commercial buildings. The Partnership serves more than 1,100,000 residential, industrial/commercial and agricultural customers.

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

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

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

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

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

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

(8) Revenue recognition: Sales of propane are recognized by the Partnership at the time product is delivered or shipped to its customers. Revenue from the sale of propane appliances and equipment is recognized at the time of sale or installation. Revenues from repairs and maintenance are recognized upon completion of the service.

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

(10) Net earnings per common and subordinated unit: Net earnings (loss) per common and subordinated unit is computed by dividing net earnings, after deducting the General Partner's 1% interest and paid-in-kind distributions, by the weighted average number of outstanding Common Units, Subordinated Units and the dilutive effect (if any) of Unit Options. There was no effect on the earnings per unit calculation due to the assumption of the conversion of Unit Options in the dilutive per-unit computation.

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

(12) Segment information: The Partnership has determined that it has a single reportable operating segment which engages in the distribution of propane and related equipment and supplies. No single customer represents 10% or more of consolidated revenues. In addition, all of the Partnership's revenues are derived from sources within the U.S., and all of its long-lived assets are located in the U.S.

(13) Adoption of new accounting standards: The Financial Accounting Standards Board recently issued SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities" ("SFAS No. 133"). SFAS No. 133, as amended by SFAS No. 137, and SFAS No. 138 is required to be adopted by the Partnership beginning in the first quarter of fiscal 2001. SFAS No. 133 requires that all derivative instruments be recorded in the balance sheet at fair value. The provisions of SFAS No. 133 will impact the Partnership's accounting for certain options hedging product cost risk. Under the provisions of SFAS No. 133, changes in the fair value of certain positions qualifying as cash flow hedges will be recorded in accumulated other comprehensive income. Changes in the fair value of certain other positions not qualifying as hedges under SFAS No. 133 will be recorded in the statement of earnings. As a result of these changes in classification, the Partnership will recognize in its first quarter of fiscal 2001, gains totaling approximately $709,000 and $299,000 in accumulated other comprehensive income and the statement of earnings, respectively. In addition, beginning in the first quarter of fiscal 2001, the Partnership will record subsequent changes in the fair value of positions qualifying as cash flow hedges in accumulated other comprehensive income and changes in the fair value of other positions in the statement of earnings.

In December 1999, the staff of the Securities and Exchange Commission issued Staff Accounting Bulletin No. 101 entitled "Revenue Recognition". The bulletin, as amended, is to be adopted, if needed, no later than the fourth fiscal quarter of fiscal years commencing after December 15, 1999, with retroactive adjustment to the first fiscal quarter of that year. Management will implement this bulletin in the first quarter of fiscal 2001 and believes that it will have no material affect on the Partnership's financial position, results of operations or cash flows.

C. Quarterly Distributions of Available Cash

Ferrellgas Partners, L.P. makes quarterly cash distributions to its Common Unitholders of all of its "Available Cash", generally defined as consolidated cash receipts less consolidated cash disbursements and net changes in reserves established by the General Partner for future requirements. Reserves are retained in order to provide for the proper conduct of the Partnership business, or to provide funds for distributions with respect to any one or more of the next four fiscal quarters. Distributions are made within 45 days after the end of each fiscal quarter ending January, April, July and October to holders of record on the applicable record date.

Distributions by the Ferrellgas Partners, L.P. in an amount equal to 100% of its Available Cash, as defined in its Second Amended and Restated Agreement of Limited Partnership of Ferrellgas Partners, L.P. (the "Partnership Agreement"), will be made to the General Partner based upon the number of General Partner Units held in the Ferrellgas Partners, L.P. and its interest in Ferrellgas, L.P., currently an aggregate 2%, subject to the

payment of incentive distributions to the holders of Incentive Distribution Rights to the extent that certain target levels of cash distributions are achieved. The remaining Available Cash will be paid to the Senior Common Unitholder (see Note F for discussion of the in kind distribution paid to the Senior Common Unitholder) and Common Unitholders (the "Unitholders"). The Senior Common Units have certain preference rights over the Common Units. See Note F for additional information about the Senior Common Units.

D. Supplemental Balance Sheet Information

Inventories consist of:

(in thousands)	2000	1999
Liquefied propane gas and related products	$50,868	$15,480
Appliances, parts and supplies	21,111	9,165
	$71,979	$24,645

In addition to inventories on hand, the Partnership enters into contracts to buy product for supply purposes. Nearly all of these contracts have terms of less than one year and most call for payment based on market prices at the date of delivery. All fixed price contracts have terms of less than one year. As of July 31, 2000, in addition to the inventory on hand, the Partnership had committed to take delivery of approximately 98,300,000 gallons at a fixed price for its future retail propane sales.

Property, plant and equipment consist of:

(in thousands)	2000	1999
Land and improvements	$40,761	$32,776
Buildings and improvements	54,794	43,577
Vehicles	78,490	50,897
Furniture and fixtures	32,844	28,626
Bulk equipment and district facilities	88,289	71,693
Tanks and customer equipment	482,617	418,598
Other	3,753	4,369
	781,548	650,536
Less: accumulated depreciation	265,365	245,244
	$516,183	$405,292

Depreciation expense totaled $37,941,000, $30,772,000, and $30,034,000 for the years ended July 31, 2000, 1999, and 1998, respectively.

Intangibles consist of:

(in thousands)	2000	1999
Customer lists	$207,478	$145,200
Goodwill	122,826	55,789
Non-compete agreements	59,905	56,234
Trademark	18,500	-
Assembled workforce	9,600	-
Other	391	167
	418,700	257,390
Less: accumulated amortization	162,224	139,273
	$256,476	$118,117

Amortization expense related to intangibles totaled $22,951,000, $15,712,000, and $14,375,000 for the years ended July 31, 2000, 1999, and 1998, respectively.

Other current liabilities consist of:

(in thousands)	2000	1999
Accrued interest	$21,659	$15,065
Accrued payroll	15,073	11,821
Other	40,899	21,380
	$77,631	$48,266

E. Long-Term Debt

Long-term debt consists of:

(in thousands)	2000	1999
Senior Notes		
Fixed rate, 7.16% due 2005-2013 (1)	$350,000	$350,000
Fixed rate, 9.375%, due 2006 (2)	160,000	160,000
Fixed rate, 8.8%, due 2006-2009 (3)	184,000	-
Credit Agreement		
Revolving credit loans, 8.9% and 6.0%, respectively, due 2003 (4)	11,658	58,314
Notes payable, 7.5% and 7.3% weighted average interest rates, respectively, due 2000 to 2010	15,988	18,154
	721,646	586,468
Less: current portion, included in other current liabilities	3,528	2,628
	$718,118	$583,840

(1) The OLP fixed rate Senior Notes ("$350 million Senior Notes"), issued in August 1998, are general unsecured obligations of the OLP and rank on an equal basis in right of payment with all senior indebtedness of the OLP and senior to all subordinated indebtedness of the OLP. The outstanding principal amount of the Series A, B, C, D and E Notes shall be due on August 1, 2005, 2006, 2008, 2010, and 2013, respectively. In general, the Notes may not be prepaid prior to maturity at the option of the Partnership.

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

(3) The OLP fixed rate Senior Notes ("$184 million Senior Notes"), issued in February 2000, are general unsecured obligations of the OLP and rank on an equal basis in right of payment with all senior indebtedness of the OLP and senior to all subordinated indebtedness of the OLP. The outstanding principal amount of the Series A, B and C Notes shall be due on August 1, 2006, 2007 and 2009, respectively. In general, the Notes may not be prepaid prior to maturity at the option of the Partnership.

(4) At July 31, 2000, the unsecured $157,000,000 Credit Facility (the "Credit Facility"), expiring June 2003, consisted of a $117,000,000 unsecured working capital, general corporate and acquisition facility, including a letter of credit facility, and a $40,000,000 revolving working capital facility. This $40,000,000 facility is subject to an annual reduction in outstanding balances to zero for thirty consecutive days. All borrowings under the Credit Facility bear interest, at the borrower's option, at a rate equal to either a) LIBOR plus an applicable margin varying from 1.25 percent to 2.25 percent or, b) the bank's base rate plus an applicable margin varying from 0.25 percent to 1.25 percent. The bank's base rate at July 31, 2000 and 1999 was 9.5% and 8.0%, respectively. To offset the variable rate characteristic of the Credit Facility, the OLP entered into a interest rate collar agreement, expiring January 2001, with a major bank limiting the floating rate portion of LIBOR-based loan interest rates on a notional amount of $25,000,000 to between 5.05% and 6.5%.

On December 17, 1999, in connection with the purchase of Thermogas, LLC ("Thermogas acquisition") (see Note L), the OLP assumed a $183,000,000 bridge loan that was originally issued by Thermogas, LLC ("Thermogas") and had a maturity date of June 30, 2000. On February 28, 2000, the OLP issued $184,000,000 Senior Notes at an average interest rate of 8.8% in order to refinance the $183,000,000 bridge loan. The additional $1,000,000 in borrowings was used to fund debt issuance costs.

On December 17, 1999, in connection with the Thermogas acquisition, the OLP paid off the balance remaining of $35,000,000 then outstanding on its $38,000,000 unsecured credit facility used for acquisitions, capital expenditures, and general corporate purposes. This outstanding credit facility was then terminated. On April 18, 2000, the OLP entered into an amended and restated Credit Facility with a group of financial institutions.

Effective April 27, 2000, the Partnership entered into an interest rate swap agreement ("Swap Agreement") with Bank of America, related to the semi-annual interest payment due on the MLP Senior Secured Notes. The Swap Agreement, which expires June 15, 2006, requires Bank of America to pay an amount based on the stated fixed interest rate (annual rate 9.375%) pursuant to the MLP Senior Secured Notes equaling $7,500,000 every six months due on each June 15 and December 15. In exchange, the Partnership is required to make quarterly floating interest rate payments on the 15th of March, June, September and December based on an annual interest rate equal to the 3 month LIBOR interest rate plus 1.655% applied to the same notional amount of $160,000,000.

At July 31, 2000 and 1999, $18,342,000 and $20,486,000, respectively, of short-term borrowings were outstanding under the credit facility and letters of credit outstanding, used primarily to secure obligations under certain insurance arrangements, totaled $36,892,000 and $32,178,000, respectively.

The MLP Senior Secured Notes, the $350 million and $184 million Senior Notes and the Credit Facility Agreement contain various restrictive covenants applicable to the MLP and OLP and its subsidiaries, the most restrictive relating to additional indebtedness, sale and disposition of assets, and transactions with affiliates. In addition, the Partnership is prohibited from making cash distributions of the Minimum Quarterly Distribution if a default or event of default exists or would exist upon making such distribution, or if the Partnership fails to meet certain coverage tests. The Partnership is in compliance with all requirements, tests, limitations and covenants related to the Senior Secured Note Indenture and the Senior Note Indentures. The Senior Notes and the Credit Facility agreement have similar restrictive covenants to the Senior Note Indenture and credit facility agreement that were replaced.

The annual principal payments on long-term debt for each of the next five fiscal years are $3,528,000 in 2001, $2,126,000 in 2002, $1,943,000 in 2003, $2,086,000 in 2004, $2,234,000 in 2005 and $709,729,000 thereafter.

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

F. Partners' Capital

The Partnership's capital (after including the effect of an aggregate of 277,691 Senior Common Units issued in order to pay the applicable in-kind quarterly distributions) consists of 4,652,691 Senior Common Units, 31,307,116 Common Units, 316,233 General Partner Units representing a 1% General Partner interest related to the Common Units, and a 1% General Partner interest related to the Senior Common Units. The Partnership Agreement contains specific provisions for the allocation of net earnings and loss to each of the partners for purposes of maintaining the partner capital accounts.

In connection with the Thermogas acquisition (See Note L) on December 17, 1999, the Partnership issued 4,375,000 Senior Common Units to Williams Natural Gas Liquids, Inc.a subsidiary of The Williams Companies, Inc. ("Williams" or "Seller"). As of September 14, 2000, Williams held 4,652,691 Senior Common Units with a liquidation value of approximately $186,108,000 including accrued and unpaid distributions. The Senior Common Units entitle the holder to quarterly distributions from the MLP equivalent to 10 percent per annum of the liquidating value. Distributions are payable quarterly, in-kind, through issuance of

additional Senior Common Units until the earlier of February 1, 2002 or the occurrence of a Material Event, as defined in the Partnership Agreement ("Material Event") after which distributions are payable in cash. The Senior Common Units are redeemable by the Partnership at any time, in whole or in part, upon payment in cash of the face value of the Senior Common Units and the amount of any accrued but unpaid distributions.

Williams has the right, subject to certain events and conditions, to convert any outstanding Senior Common Units into Common Units at the end of two years or upon the occurrence of a Material Event. Such conversion rights are contingent upon the Partnership not previously redeeming such securities, among other conditions. The Partnership also granted Williams demand registration rights at the end of two years or upon the occurrence of a Material Event with respect to any outstanding Senior Common Units (or Common Units into which they may be convertible). On June 5, 2000, at a special meeting of its common unitholders, the Partnership's common unitholders approved both the common unit conversion feature and an exemption under the Partnership Agreement to enable Williams to vote the Common Units, if such a conversion were to occur.

At July 31, 2000, the Senior Common Units had a discount of $6,321,000, which includes the original discount of $8,925,000 less the accretion of the discount of $2,604,000. This discount, which represents the fees paid by the Partnership related to the issuance of the Senior Common Units, will be amortized until February 2002.

In connection with the issuance of Senior Common Units to Williams, Ferrellgas, Inc. contributed $1,768,000 to Ferrellgas Partners, L.P. and $1,803,000 to Ferrellgas, L.P. in order to maintain its 1% and 1.0101% general partner interest in each respective entity.

During 1994, the Partnership issued Subordinated Units, all of which were held by Ferrell for which there was no established public trading market. Effective August 1, 1999, the Subordinated Units converted to Common Units. Certain financial tests, which were primarily related to making the Minimum Quarterly Distribution on all Units, were satisfied for each of the three consecutive four quarter periods ending July 31, 1999.

The Partnership maintains a shelf registration statement for Common Units representing limited partner interests in the Partnership. The Common Units may be issued from time to time by the Partnership in connection with the Partnership's acquisition of other businesses, properties or securities in business combination transactions. The Partnership also maintains another shelf registration statement for the issuance of Common Units, Deferred Participation Units, Warrants and Debt Securities. The Partnership Agreement allows the General Partner to issue an unlimited number of additional Partnership general and limited interests and other equity securities of the Partnership for such consideration and on such terms and conditions as shall be established by the General Partner without the approval of any Unitholders.

G. Transactions with Related Parties

The Partnership has no employees and is managed and controlled by the General Partner. Pursuant to the Partnership Agreement, the General Partner is entitled to reimbursement for all direct and indirect expenses incurred or payments it makes on behalf of the Partnership, and all other necessary or appropriate expenses allocable to the Partnership or otherwise reasonably incurred by the General Partner in connection with operating the Partnership's business. These costs, which totaled $179,033,000, $143,850,000, and $129,808,000 for the years ended July 31, 2000, 1999 and 1998, respectively, include compensation and benefits paid to officers and employees of the General Partner, and general and administrative costs.

During fiscal 2000, Williams became a related party to the Partnership due to the Partnership's issuance of Senior Common Units to Williams (See Notes F and L). The Partnership recognized wholesale sales of $2,091,000 to Williams and purchases of $13,175,000 from Williams related to the Partnership's wholesale and risk management activity. In connection with its risk management activities, the Partnership entered into, with Williams as a counterparty, certain forward, futures and swaps contracts for trading purposes and certain option contracts for purposes other than trading. During fiscal 2000 the Partnership recognized net sales (purchases) related to these transactions of $9,530,000 which are classified in other revenue on the statement of earnings.

Williams provided propane supply and general and administrative services to the Partnership to assist in the integration of the acquisition. The Partnership recognized $67,547,000, $4,062,000 and $176,000 to Williams in fiscal 2000 and classified these costs in cost of goods sold, general and administrative expenses and operating expenses, respectively. Amounts due to Williams at July 31, 2000, was $5,045,000. Amounts due from Williams at July 31, 2000, was $13,000.

During fiscal 2000 and 1999, Ferrell International Limited and Ferrell Resources, LLC, two affiliates of the Partnership which are owned by the General Partner's chairman of the board, president and chief executive officer, James E. Ferrell, paid the Partnership a total of $313,000 and $265,000, respectively, for accounting and administration services. In connection with its risk management activities, the Partnership entered into, with Ferrell International Limited as a counterparty, certain forward, futures and swaps contracts for trading purposes and certain option contracts for purposes other than trading. During fiscal 2000, 1999 and 1998, the Partnership recognized net sales (purchases) of $(8,508,000), $20,414,000 and $3,106,000, respectively. These net sales (purchases) with Ferrell International Limited are classified in other revenue. Amounts due from Ferrell International Limited at July 31, 2000 and 1999 were $1,826,000 and $2,531,000, respectively. Amounts due to Ferrell International Limited at July 31, 2000 and 1999 were $1,484,000 and $3,377,000, respectively.

The Partnership also leased propane tanks from Ferrell Propane, Inc., a subsidiary of Ferrellgas, Inc. since October 1998. Prior to October 1998, Ferrell Propane, Inc. was a subsidiary of Ferrell Companies, Inc. The Partnership recognized $515,000 of lease expense during each of fiscal years 2000, 1999 and 1998.

Prior to the ESOP transaction completed on July 17, 1998, Ferrell, the parent of the General Partner and its other wholly-owned subsidiaries, engaged in various investment activities including, but not limited to, commodity investments and the trading thereof. The Partnership from time to time acted as an agent on behalf of Ferrell to purchase and market natural gas liquids and enter into certain trading activities. The Partnership charged all direct and indirect expenses incurred in performing this agent role to Ferrell. During the year ended July 31, 1998, the Partnership, as Ferrell's agent, marketed and sold 469,820 barrels of propane. The Partnership charged Ferrell $66,467 for its direct and indirect expenses related to these transactions. All of the 469,820 barrels of propane sold were sold to and used by the Partnership at the applicable market prices (an aggregate of $7,405,200). In addition, during fiscal 1998, the Partnership sold to Ferrell certain physical and derivative crude oil commodity contracts totaling 4,120,000 aggregate barrels at a price of $2,548,927. Subsequent to the close of the ESOP transaction, Ferrell divested of its wholly-owned subsidiaries that were engaged in these commodity and trading activities.

H. Contingencies and Commitments

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

On December 6, 1999, the OLP entered into, with Banc of America Leasing & Capital LLC, a $25,000,000 operating tank lease involving a portion of the OLP's customer tanks. This operating lease has a term that expires June 30, 2003 and may be extended for two additional one-year periods at the option of the OLP, if such extension is approved by the lessor.

On December 17, 1999, immediately prior to the closing of the Thermogas acquisition (See Note L), Thermogas entered into, with Banc of America Leasing & Capital LLC, a $135,000,000 operating tank lease involving a portion of its customer tanks. In connection with the Thermogas acquisition, the OLP assumed all obligations under the $135,000,000 operating tank lease, which has terms and conditions similar to the December 6, 1999, $25,000,000 operating tank lease discussed above.

Effective June 2, 2000, the OLP entered into an interest rate cap agreement ("Cap Agreement") with Bank of America, related to variable quarterly rent payments due pursuant to two operating tank lease agreements. The variable quarterly rent payments are determined based upon a floating LIBOR based interest rate. The Cap Agreement, which expires June 30, 2003, requires Bank of America to pay the OLP at the end of each March, June, September and December the excess, if any, of the applicable 3 month floating LIBOR interest rate over 9.3%, the cap, applied to the total obligation due each quarter under the two operating tank lease agreements. The total obligation under these two operating tank lease agreements as of July 31, 2000 was $159,200,000.

Certain property and equipment is leased under noncancellable operating leases which require fixed monthly rental payments and which expire at various dates through 2020. Rental expense under these leases totaled $35,292,000, $19,595,000 and $17,095,000 for the years ended July 31, 2000, 1999 and 1998, respectively. Future minimum lease commitments for such leases in the next five years, including the aforementioned operating tank leases, are $37,166,000 in 2001, $33,882,000 in 2002, $28,358,000 in 2003, $7,431,000 in 2004, and $4,868,000 in 2005.

In addition to the future minimum lease commitments, the Partnership plans to purchase vehicles at the end of their lease term totaling $1,364,000 in 2001, $203,000 in 2002 and $143,000 in 2003. The Partnership intends to renew other vehicle and tank leases that would have had buyouts of $452,000 in 2001, $7,057,000 in 2002, $162,569,000 in 2003, $4,981,000 in 2004 and $4,086,000 in 2005.

I. Employee Benefits

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

Ferrell makes contributions to the ESOT which causes a portion of the shares of Ferrell owned by the ESOT to be allocated to employees' accounts over time. The allocation of Ferrell shares to employee accounts causes a non-cash compensation charge to be incurred by Ferrell, equivalent to the

fair value of such shares allocated. This non-cash compensation charge is reported separately on the statement of earnings, and therefore excluded from operating and general and administative expenses. The Partnership is not obligated to fund or make contributions to the ESOT. Nevertheless, due to the benefit received by the Company's employees from participating in the ESOP, the non-cash compensation charge is also recorded by the Partnership.

The General Partner and its parent, Ferrell, have a defined contribution profit-sharing plan which covers substantially all employees with more than one year of service. Contributions were made to the plan at the discretion of Ferrell's Board of Directors. With the establishment of the ESOP in July 1998, the Company suspended future contributions to the profit sharing plan beginning with fiscal year 1998. The profit sharing plan, which qualifies under section 401(k) of the Internal Revenue Code, also provides for matching contributions under a cash or deferred arrangement based upon participant salaries and employee contributions to the plan. These matching contributions were not affected by the establishment of the ESOP. Contributions for the years ended July 31, 2000, 1999 and 1998, respectively, were $2,869,000, $2,110,000, and $1,693,000 under the 401(k) provision.

J. Unit Options of the Partnership and Stock Options of Ferrell Companies,Inc.

The Ferrellgas, Inc. Unit Option Plan (the "Unit Option Plan") currently authorizes the issuance of options (the "Unit Options") covering up to 850,000 of the MLP's units to certain officers and employees of the General Partner. Effective August 1, 1999, with the conversion of the Subordinated Units, the units covered by the options are Common Units. The Unit Options are exercisable at exercise prices ranging from $16.80 to $21.67 per unit, which was an estimate of the fair market value of the Subordinated Units at the time of the grant. The options vest immediately or over a one to five year period, and expire on the tenth anniversary of the date of the grant.

	Number Of Units	Weighted Average Exercise Price	Weighted Average Fair Value
Outstanding, July 31, 1997	727,600	$18.09	
Granted	118,500	19.47	$0.47
Forfeited	(64,100)	19.16	
Outstanding, July 31, 1998	782,000	18.21	
Granted	40,000	18.54	0.39
Forfeited	(40,975)	18.15	
Outstanding, July 31, 1999	781,025	18.23	
Granted	-	-	-
Forfeited	(60,500)	19.38	
Outstanding, July 31, 2000	720,525	18.13	
Options exercisable, July 31, 2000	546,875	17.57	

	Options Outstanding at July 31, 2000
Range of option prices at end of year	$16.80-$21.67
Weighted average remaining contractual life	5.3 Years

The Ferrell Companies, Inc. nonqualified stock option plan (the "NQP") was established by Ferrell Companies, Inc. ("Ferrell") to allow upper middle and senior level managers of the General Partner to participate in the equity growth of Ferrell and, indirectly in the equity growth of the Partnership. The shares underlying the stock options are common shares of Ferrell, therefore, there is no potential dilution of the Partnership. The Ferrell NQP stock options vest ratably in 5% to 10% increments over 12 years or 100% upon a change of control, death, disability or retirement of the participant. Vested options are exercisable in increments based on the timing of the payoff of Ferrell debt, but in no event later than 20 years from the date of issuance.

The Partnership accounts for stock-based compensation using the intrinsic value method prescribed in APB No. 25 and related Interpretations. Accordingly, no compensation cost has been recognized for the Unit Option Plan, or for the NQP. Had compensation cost for these plans been determined based upon the fair value at the grant date for awards under these plans, consistent with the methodology prescribed under SFAS No. 123, the Partnership's net income (loss) and earnings (loss) per share would have been adjusted as noted in the table below:

	2000	1999	1998
Common and subordinate unitholders' interest in net earnings (loss) after paid in kind distribution as reported	$(10,146)	$1,977	$4,894
Pro forma adjustment	(79)	(465)	(40)
Common and subordinate unitholders' interest in net earnings (loss) after paid in kind distribution as adjusted	$(10,225)	$1,512	$4,854
Pro forma basic and diluted net earnings (loss) per common and subordinated unit after paid in kind distribution	$ (0.32)	$ 0.05	$ 0.16

There were no unit options granted during the 2000 fiscal year. The fair value of the unit options granted during the 1999 and 1998 fiscal years were determined using a binomial option valuation model with the following assumptions: a) distribution amount of $0.50 per unit per quarter for 1999 and 1998, b) average Common Unit price volatilities of 18.1% and 16.2% for 1999 and 1998, respectively, c) the risk-free interest rates used were 5.5% and 5.7%, for 1999 and 1998, respectively and d) the expected life of the option used was 5 years for 1999 and 1998. The fair value of the Ferrell Companies, Inc. NQP stock options granted during the 2000 and 1999 fiscal years were determined using a binomial option valuation model with the following assumptions: a) no dividends, b) average stock price volatility of 10.1% and 10.6% used in 2000 and 1999, respectively, c) the risk-free interest rate used was 6.4% and 5.5% in 2000 and 1999, respectively and d) expected life of the options between 7 and 15 years.

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

The carrying amount of current financial instruments approximates fair value because of the short maturity of the instruments. The estimated fair value of the Partnership's long-term debt was $698,082,000 and $568,459,000 as of July 31, 2000 and 1999, respectively. The fair value is estimated based on quoted market prices.

Interest Rate Collar, Cap and Swap Agreements. The Partnership has entered into various interest rate collar, cap and swap agreements involving, among others, the exchange of fixed and floating interest payment obligations without the exchange of the underlying principal amounts. The counterparties to these agreements are large financial institutions. The interest rate collar agreements subject the Partnership to financial risk that will vary during the life of these agreements in relation to market interest rates. The fair values for these off-balance sheet financial instruments at July 31, 2000 are as follows: Interest rate collar - $43,000; interest rate cap - $(258,000); and interest rate swap - $(561,000).

Option Commodity Contracts. The Partnership is a party to certain option contracts, involving various liquefied petroleum products, for risk management purposes in connection with its risk management activities. Certain option contracts held by the Partnership meet the criteria for classi-fication as hedges of forecasted transactions that will occur in less than one year. Net gains deferred for option contracts accounted for as hedges were $1,008,000 for the year ended July 31, 2000. Contracts are executed with private counterparties and to a lesser extent on national mercantile exchanges. Open contract positions are summarized below.

Forward, Futures and Swaps Commodity Contracts. In connection with its risk management activities, the Partnership is a party to certain forward, futures and swaps contracts for trading purposes. Such contracts do not meet the criteria for classification as hedge transactions. Net gains from risk management activities were $28,413,000, $7,699,000, and $7,464,000, for the years ended July 31, 2000, 1999, and 1998, respectively. Such contracts permit settlement by delivery of the commodity. Open contract positions are summarized below (assets are defined as purchases or long positions and liabilities are sales or short positions).

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

	Derivative Commodity Instruments Held for Purposes Other than Trading (Options)				Derivative Commodity Instruments Held for Trading Purposes (Forward, Futures and Swaps)			
	2000		1999		2000		1999	
	Asset	Liab.	Asset	Liab.	Asset	Liab.	Asset	Liab.
Volume (gallons)	107,069	(50,526)	3,245	(22,648)	6,056,726	(5,903,184)	2,814,698	(2,720,295)
Price ((cent)/gal)	37-62	37-75	23-39	27-55	42-84	45-95	19-49	19-49
Maturity Dates	8/00-12/01	8/00-12/01	8/99-3/00	8/99-3/00	8/00-12/01	8/00-12/01	8/99-12/01	8/99-12/01
Contract Amounts ($)	111,688	(63,193)	10,775	(13,973)	4,528,216	(4,476,361)	1,232,209	(1,215,341)
Fair Value ($)	113,728	(64,168)	10,941	(15,850)	4,526,076	(4,474,314)	1,337,924	(1,318,526)
Unrealized gain (loss) ($)	2,040	(975)	166	(1,877)	(2,140)	2,047	105,715	(103,185)

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

L. Business Combinations

On December 17, 1999, the Partnership purchased Thermogas LLC from Williams Natural Gas Liquids, Inc.,a subsidiary of The Williams Companies, Inc. of At closing the Partnership entered into the following noncash transactions: a) issued $175,000,000 in Senior Common Units to the seller, b) assumed a $183,000,000 bridge loan, (see Note E) and c) assumed a $135,000,000 operating tank lease (see Note H). After the conclusion of these acquisition-related transactions, including the merger of the OLP and Thermogas, the Partnership acquired $61,842,000 of cash, which remained on the Thermogas balance sheet at the acquisition date. The Partnership has paid $15,893,000 in additional costs and fees related to the acquisition between December 17, 1999 and July 31, 2000. As part of the Thermogas acquisition, the OLP agreed to reimburse Williams for the value of working capital received by the Partnership in excess of $9,147,500. On June 6, 2000, the OLP and Williams agreed upon the amount of working capital that was acquired by the Partnership on December 17, 1999. The OLP reimbursed Williams $5,652,500 as final settlement of this working capital reimbursement obligation.

The total assets contributed to the OLP (at the Partnership's cost basis) have been preliminarily allocated as follows: (a) working capital of $14,800,000, (b) property, plant and equipment of $145,711,000, (c) $60,200,000 to customer list with an estimated useful life of 15 years, (d) $18,500,000 to trademarks with an estimated useful life of 15 years (e) $9,600,000 to assembled workforce with an estimated useful life of 15 years, (f) $3,071,000 to non-compete agreements with an estimated useful life ranging from one to seven years, and (g) $65,589,000 to goodwill at an estimated useful life of 15 years. The estimated fair values and useful lives of assets acquired are based on a preliminary valuation and are subject to final valuation adjustments. The Partnership has accrued $7,033,000 in involuntary employee termination benefits and exit costs, which it expects to incur within twelve months from the acquisition date as it implements the integration of the Thermogas operations. This accrual included $5,870,000 of termination benefits and $1,163,000 of costs to exit Thermogas activities. As of July 31, 2000, the Partnership has paid $1,306,000 for termination benefits and $890,000 for exit costs. The Partnership intends to continue its analysis of the net assets of Thermogas to determine the final allocation of the total purchase price to the various assets acquired. The transaction has been accounted for as a purchase and, accordingly, the results of operations of Thermogas have been included in the consolidated financial statements from the date of acquisition.

The following pro forma financial information assumes that the Thermogas acquisition occurred as of August 1, 1998 (unaudited):

(in thousands, except per unit amounts)	Pro Forma Year Ended July 31, 2000	Pro Forma Year Ended July 31, 1999
Total revenues	$1,048,207	$856,731
Loss before extraordinary item	(18,609)	(4,358)
Net loss	(18,609)	(17,144)
Limited partners' interest in net loss	(18,423)	(16,973)
Basic and diluted loss per limited partner unit before extraordinary item	$ (0.59)	$ (0.14)
Basic and diluted loss per limited partner unit after extraordinary item	$ (0.59)	$ (0.54)

During the year ended July 31, 2000, the Partnership made acquisitions of two other businesses valued at $7,183,000. This amount was funded by $6,338,000 cash payments, $601,000 of noncompete notes, $46,000 in Common units and $198,000 in other costs and consideration.

During the year ended July 31, 1999, the Partnership made acquisitions of 11 businesses valued at $50,049,000. This amount was funded by $43,838,000 cash payments, $199,000 in Common units and noncash transactions totaling $6,012,000 in the issuance of noncompete notes and other costs and consideration.

During the year ended July 31, 1998, the Partnership made acquisitions of four businesses valued at $12,670,000. This amount was funded by $9,839,000 cash payments, $2,000,000 in common units and noncash transactions totaling $831,000 in the issuance of noncompete notes and other costs and consideration.

All transactions have been accounted for using the purchase method of accounting and, accordingly, the results of operations of all acquisitions have been included in the consolidated financial statements from their dates of acquisition. The pro forma effect of these transactions, except those related to the Thermogas acquisition, was not material to the results of operations.

M. Earnings Per Unit

Below is a calculation of the basic and diluted Common Units (and Subordinated Units prior to August 1, 1999) used to calculate basic and diluted earnings per unit on the Statements of Earnings.

(in thousands, except per unit data)

	For the year ended July 31,		
	2000	1999	1998
Common and subordinated unitholders' interest in net earnings (loss) after paid in kind distribution	$ (10,146)	$ 1,977	$ 4,894
Weighted average common and subordinated units outstanding	31,306.7	31,298.7	31,275.3
Basic earnings (loss) per common and subordinated unit before extraordinary item and after paid in kind distribution	$ (0.32)	$ 0.47	$ 0.16
Basic earnings (loss) per common and subordinated unit after paid in kind distribution	$ (0.32)	$ 0.06	$ 0.16

	For the year ended July 31,		
	2000	1999	1998
Common and subordinated unitholders' interest in net earnings (loss) after paid in kind distribution	$ (10,146)	$ 1,977	$ 4,894
Weighted average common and subordinated units outstanding	31,306.7	31,298.7	31,275.3
Dilutive securities - options	0.0	39.5	72.5
Weighted average common and subordinated outstanding units + dilutive units	31,306.7	31,338.2	31,347.8
Diluted earnings (loss) per common and subordinated unit before extraordinary item and after paid in kind			

distribution	$(0.32)	$0.47	$0.16
Diluted earnings (loss) per common and subordinated unit after paid in kind distribution	$(0.32)	$0.06	$0.16

For diluted earnings per unit purposes, the Senior Common Units have been excluded as they are considered contingently issuable Common Units for which all necessary conditions for their issuance have not been satisfied as of the end of the reporting period. In fiscal 2000, the Unit Options were antidilutive and therefore were reported as zero in the table above.

N. Subsequent Event (unaudited)

On September 26, 2000, Ferrellgas, L.P. received $20,000,000 in cash in exchange for the sale and contribution of a $25,000,000 interest in a pool of its trade accounts receivable to its newly created, wholly-owned, special purpose subsidiary, Ferrellgas Receivables, LLC. Ferrellgas Receivables, LLC then sold the interest to a commercial paper conduit of Banc One, NA in accordance with the terms of a 364 day agreement. The level of funding available from this 364 day agreement is limited to $60,000,000. In accordance with SFAS No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities ("SFAS No. 125")," this transaction will initially be reflected on the financial statements as a sale of accounts receivable and contribution of capital in the first quarter of fiscal 2001. Additionally, in accordance with SFAS No. 125, Ferrellgas Receivables, LLC will not be conslidated into the results of the partnership and thus will be accounted for using the equity method of accounting, The proceeds of these sales are less than the face amount of accounts receivable sold by an amount that approximates the purchaser's financing cost of issuing its own commercial paper backed by these accounts receivable. This loss on the September, 2000 transaction will be approximately $300,000 in the first quarter of fiscal 2001, and represents the difference between the fair market value and the book value of the receivable contibuted and sold.

INDEPENDENT AUDITORS' REPORT

Board of Directors
Ferrellgas Partners Finance Corp.
Liberty, Missouri

We have audited the accompanying balance sheets of Ferrellgas Partners Finance Corp. (a wholly-owned subsidiary of Ferrellgas Partners, L.P.), as of July 31, 2000, and 1999 and the related statements of earnings, stockholder's equity and cash flows for each of the three years in the period ended July 31, 2000. These financial statements are the responsibility of Ferrellgas Partners Finance Corp.'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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of Ferrellgas Partners Finance Corp. as of July 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended July 31, 2000 in conformity with accounting principles generally accepted in the United States of America.

/s/ DELOITTE & TOUCHE LLP
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DELOITTE & TOUCHE LLP
Kansas City, Missouri
September 14, 2000

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

BALANCE SHEETS

ASSETS	July 31, 2000	July 31, 1999
Cash	$1,000	$1,000
Total Assets	$1,000	$1,000
STOCKHOLDER'S EQUITY		
Common stock, $1.00 par value; 2,000 shares authorized; 1,000 shares issued and outstanding	$1,000	$1,000
Additional paid in capital	1,237	774
Accumulated deficit	(1,237)	(774)
Total Stockholder's Equity	$1,000	$1,000

See notes to financial statements

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

STATEMENTS OF EARNINGS

	For the year ended July 31,		
	2000	1999	1998
Revenues	$ -	$ -	$ -
General and administrative expense	463	226	221
Net loss	$ (463)	$ (226)	$ (221)

See notes to financial statements

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

STATEMENTS OF STOCKHOLDER'S EQUITY

	Common stock		Additional paid in capital	Accumulated deficit	Total stockholder's equity
	Shares	Dollars			
August 1, 1998	1,000	$1,000	$ 548	$ (548)	$ 1,000
Capital contribution	-	-	226	-	226
Net loss	-	-	-	(226)	(226)
July 31, 1999	1,000	1,000	774	(774)	1,000
Capital contribution	-	-	463	-	463
Net loss	-	-	-	(463)	(463)
July 31, 2000	1,000	$1,000	$ 1,237	$(1,237)	$ 1,000

See notes to financial statements

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

STATEMENTS OF CASH FLOWS

	From Inception to For the year ended July 31,		
	2000	1999	1998
Cash Flows From Operating Activities:			
Net loss	$ (463)	$ (226)	$ (221)
Cash used by operating activities	(463)	(226)	(221)
Cash Flows From Financing Activities:			
Capital contribution	463	226	221
Cash provided by financing activities	463	226	221
Change in cash	0	0	0
Cash - beginning of period	1,000	1,000	1,000
Cash - end of period	$ 1,000	$ 1,000	$ 1,000

See notes to financial statements

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

NOTES TO FINANCIAL STATEMENTS

A. Formation

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

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

B. Commitment

On April 26, 1996, the Partnership issued $160,000,000 of 9 3/8% Senior Secured Notes due 2006 (the "Senior Notes"). The Senior Notes will be redeemable at the option of the Partnership, in whole or in part, at any time on or after June 15, 2001.

Effective April 27, 2000, the Partnership entered into an interest rate swap agreement ("Swap Agreement") with Bank of America, related to the semi-annual interest payment due on the Senior Notes. The Swap Agreement, which expires June 15, 2006, requires Bank of America to pay the stated fixed interest rate (annual rate 9 3/8%) pursuant to the Senior Notes equaling $7,500,000 every six months due on each June 15 and December 15. In exchange, the Partnership is required to make quarterly floating interest rate payments on the 15th of March, June, September and December based on an annual interest rate equal to the 3 month LIBOR interest rate plus 1.655% applied to the same notional amount of $160,000,000.

The Finance Corp. serves as a co-obligor for the Senior Notes.

C. Income Taxes

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

Due to the inability of the Company to utilize the deferred tax benefit of $500 associated with the current year net operating loss carryforward of $1,286, which expire at various dates through July 31, 2015, a valuation allowance has been provided on the full amount of the deferred tax asset. Accordingly, there is no net deferred tax benefit for the year ended July 31, 2000 or 1999 and there is no net deferred tax asset as of July 31, 2000 or July 31, 1999.

ITEM 14(A) 2 INDEX TO FINANCIAL STATEMENT SCHEDULES

INDEPENDENT AUDITORS' REPORT

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

We have audited the consolidated financial statements of Ferrellgas Partners, L.P., and subsidiaries as of July 31, 2000 and 1999, and for each of the three years in the period ended July 31, 2000, and have issued our report thereon dated September 14, 2000. Our audit also included the financial statement schedules listed in Item 14(a)2. These financial statement schedules are the responsibility of the Partnership's management. Our responsibility is to express an opinion based on our audits. In our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly in all material respects the information set forth therein.

/s/ DELOITTE & TOUCHE LLP
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DELOITTE & TOUCHE LLP

Kansas City, Missouri
September 14, 2000

FERRELLGAS PARTNERS, L.P.
PARENT ONLY

BALANCE SHEETS
(in thousands)

ASSETS	July 31, 2000	July 31, 1999
Cash and cash equivalents	$ 1	$ 1
Investment in Ferrellgas, L.P.	199,086	88,758
Other assets, net	2,962	3,466
Total Assets	$ 202,049	$ 92,225
LIABILITIES AND PARTNERS' CAPITAL		
Other current liabilities	$ 1,705	$ 1,876
Long term debt	160,000	160,000
Partners' Capital		
Senior common unitholders	179,786	-
Common unitholders	(80,931)	1,215
Subordinated unitholders	-	(10,516)
General partner	(58,511)	(59,553)
Accumulated other comprehensive income	0	(797)
Total Partners' Capital	40,344	(69,651)
Total Liabilities and Partners' Capital	$ 202,049	$ 92,225

FERRELLGAS PARTNERS, L.P.
PARENT ONLY

STATEMENTS OF EARNINGS
(in thousands)

	For the Year Ended July 31		
	2000	1999	1998
Equity in earnings of Ferrellgas, L.P.	$ 15,907	$ 17,511	$ 20,462
Operating expense	-	-	5
Interest expense	15,047	15,514	15,514
Net earnings	$ 860	$ 1,997	$ 4,943

FERRELLGAS PARTNERS, L.P.
PARENT ONLY

STATEMENTS OF CASH FLOWS
(in thousands)

	For the Year Ended		
	July 31, 2000	July 31, 1999	July 31, 1998
Cash Flows From Operating Activities:			
Net earnings	$ 860	$ 1,997	$ 4,943
Reconciliation of net earnings to net cash from operating activities:			
Amortization of capitalized financing costs	515	513	513
Equity in earnings of Ferrellgas, L.P.	(16,069)	(17,690)	(20,671)
Other current assets	(11)	(1,201)	3
Distributions received from Ferrellgas, L.P.	77,962	79,430	78,176
Increase (decrease) in other current liabilities	(172)	1	(1)
Net cash provided by operating activities	63,085	63,050	62,963
Cash Flows From Financing Activities:			
Distributions to partners	(63,247)	(63,229)	(63,176)
Net advance from affiliate	162	179	213
Net cash used by financing activities	(63,085)	(63,050)	(62,963)
Increase in cash and cash equivalents	-	-	-
Cash and cash equivalents - beginning of period	1	1	1
Cash and cash equivalents - end of period	$ 1	$ 1	$ 1

FERRELLGAS PARTNERS, L.P. AND SUBSIDIARY

VALUATION AND QUALIFYING ACCOUNTS
(in thousands)

Description	Balance at beginning of period	Charged to cost/ expenses	Other Additions	Deductions (amounts charged-off)	Balance at end of period
Year ended July 31, 2000					
Allowance for doubtful accounts	$1,296	$2,349	$0	$1,257	$2,388
Accumulated amortization:					
Intangible assets	139,273	22,951	0	0	162,224
Other assets	5,005	1,906	0	15	6,896
Year ended July 31, 1999					
Allowance for doubtful accounts	$1,381	$1,627	$75	$1,787	$1,296
Accumulated amortization:					
Intangible assets	123,531	15,742	0	0	139,273
Other assets	9,054	1,716	0	5,765	5,005
Year ended July 31, 1998					
Allowance for doubtful accounts	1,234	2,997	6	2,856	1,381
Accumulated amortization:					
Intangible assets	109,211	14,320	0	0	123,531
Other assets	6,753	2,301	0	0	9,054

RECEIVABLE INTEREST SALE AGREEMENT

Dated as of September 26, 2000

between

FERRELLGAS, L.P., as Originator,

and

FERRELLGAS RECEIVABLES, LLC, as Buyer

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RECEIVABLE INTEREST SALE AGREEMENT

This Receivable Interest Sale Agreement dated as of September 26, 2000 is between Ferrellgas, L.P., a Delaware limited partnership ("Originator"), and Ferrellgas Receivables, LLC, a Delaware limited liability company ("Buyer"). Unless defined elsewhere herein, capitalized terms used in this Agreement shall have the meanings assigned to such terms in Exhibit I.

PRELIMINARY STATEMENTS

On the terms and subject to the conditions hereinafter set forth, Originator desires to sell a Receivable Interest,
and contribute a Contributed Interest to Buyer, and Buyer desires to purchase such Receivable Interest, and accept the contribution of such Contributed Interest, from Originator.

Originator and Buyer intend the transactions contemplated hereby to be a true sale or other outright conveyance of the Receivable Interest and the Contributed Interest from Originator to Buyer, providing Buyer with the full benefits of ownership of the Receivable Interest and the Contributed Interest, and Originator and Buyer do not intend these transactions to be, or for any purpose to be characterized as, loans from Buyer to Originator.

From time to time after the date hereof, Buyer will sell undivided interests in the Receivable Interest and the Contributed Interest pursuant to that certain Receivables Purchase Agreement dated as of September 26, 2000 (as the same may from time to time hereafter be amended, supplemented, restated or otherwise modified, the "Purchase Agreement") among Buyer, as seller, Originator, as initial Servicer, Jupiter Securitization Corporation ("Conduit"), the financial institutions from time to time party thereto as "Financial Institutions" (together with Conduit, the "Purchasers"), and Bank One, NA (Main Office Chicago) or any successor agent appointed pursuant to the terms of the Purchase Agreement, as agent for Conduit and such Financial Institutions (in such capacity, the "Agent").

ARTICLE I.
PURCHASE AND CONTRIBUTION

Section 1.1 . Contribution of Contributed Interest. On the date hereof, in consideration of the issuance of all of Buyer's Equity Interests, Originator does hereby contribute, assign, transfer, set-over and otherwise convey to Buyer, without recourse (except to the extent expressly provided herein), and Buyer does hereby accept from Originator as a contribution to Buyer's capital, the Contributed Interest. Subject to Section 7.1(o), after the date hereof through and including the Termination Date, the Contributed Interest shall be adjusted as of the opening of business on each Business Day on which any adjustment in the Receivable Interest occurs as provided in Section 1.3(c).

Section 1.2 Purchase of the Receivable Interest. Upon the terms and subject to

the conditions hereof, in consideration of the Purchase Price, effective on the date hereof, Originator does hereby sell, assign, transfer, set-over and otherwise convey to Buyer, without recourse (except to the extent expressly provided herein), and Buyer does hereby purchase from Originator, all of Originator's right, title and interest in the Receivable Interest. The Receivable Interest shall be adjusted as of the opening of business on each Business Day after the date hereof through and including the Termination Date in accordance with Section 1.3(c).

Section 1.3 Payment of the Purchase Price.

(a) On the date hereof, upon satisfaction of the conditions precedent set forth in Article IV hereof, Buyer shall pay Originator the initial Purchase Price for the Receivable Interest computed as of the Initial Computation Date, by (i) deposit of immediately available funds, no later than 2:00 p.m. (Chicago time), to Originator's account no. 4518054085 at Wells Fargo Bank, N.A., in San Francisco, California, ABA No. 121000248 ("Originator's Account"), and (ii) delivering the Subordinated Note referred to in clause (b) below.

(b) A portion of the Purchase Price to be paid by the Buyer may from time to time be paid to the Originator after the consummation of the sale of the Receivable Interest. Such unpaid portion of the Purchase Price may be paid in immediately available funds or, at Buyer's election, subject to Section 7.1(o), by increasing the amount outstanding under the Subordinated Note.

(c) The Receivable Interest shall be adjusted on a daily basis because of the daily changes that occur in respect of the Variable Purchased Percentage. Notwithstanding such daily adjustments, the Buyer and the Originator agree that the Buyer shall only be required to re-calculate the Variable Purchased Percentage (i) on a monthly basis as of the last day of each calendar month (or if such day is not a Business Day, the next succeeding Business Day), (ii) on the date of the occurrence of any change in the Funded Amount in accordance with clause (d) below, and (iii) on the Termination Date. Such redetermined amount of the Variable Purchased Percentage shall be deemed to be the value of the Receivable Interest for all purposes under this Agreement until such Receivable Interest is redetermined pursuant to this clause (c).

(d) If the Funded Amount shall be increased or decreased on any date, the Buyer shall (i) in the case of an increase in the Funded Amount, pay to the Originator the proceeds received by it resulting from such increase as consideration for the purchase of an additional portion of the Receivable Interest, and the Receivable Interest shall be adjusted accordingly, and (ii) in the case of a decrease in the Funded Amount, use the proceeds of Collections (and if necessary to obtain additional proceeds, re-sell to the Originator a portion of the Receivable Interest) to repay to the Agent for the account of the applicable Purchaser(s), the amounts required to be repaid pursuant to the Purchase Agreement, and the Receivable Interest shall be adjusted accordingly. In addition, if the Variable Purchased Percentage would, but for the limitation contained in the definition of such term, ever exceed 100%, the Buyer shall repay to the Agent for the account of the applicable Purchaser(s), such amounts as may be required to reduce the Variable Purchased Percentage to an amount equal to or less than 100%.

Section 1.4 Deemed Collections.

(a) If on any day the Outstanding Balance of a Pool Receivable is either (i) reduced as a result of any defective or rejected goods or services, any cash discount or any adjustment by Originator, or (ii) reduced or cancelled as a result of a setoff in respect of any claim by any Person (whether such claim arises out of the same or a related transaction or an unrelated transaction), Originator shall be deemed to have received on such day a Collection of such Pool Receivable in the amount of such reduction or cancellation. If on any day any of the representations or warranties in Section 3.1(h), (i), (j), (r) or (t) is no longer true with respect to any Pool Receivable, Originator shall be deemed to have received on such day a Collection of such Pool Receivable in full.

(b) If Originator is deemed to receive Collections pursuant to this Section 1.4, the Receivable Interest shall be adjusted accordingly on the date of such deemed receipt pursuant to Section 1.3(c).

Section 1.5 Payments and Computations, Etc.

(a) All amounts to be paid or deposited by Buyer hereunder (except amounts payable by increasing the outstanding principal balance under the Subordinated Note) shall be paid or deposited to Originator's Account in accordance with the terms hereof on the day when due in immediately available funds. All amounts to be paid or deposited by Originator hereunder shall be paid or deposited to the Facility Account in accordance with the terms hereof on the day when due in immediately available funds.

(b) In the event that any payment owed by any Person hereunder becomes due on a day that is not a Business Day, then such payment shall be made on the next succeeding Business Day.

(c) If any Person fails to pay any amount hereunder when due, such Person agrees to pay, on demand, the Default Fee in respect thereof until paid in full; provided, however, that such Default Fee shall not at any time exceed the maximum rate permitted by applicable law.

Section 1.6 Intention of the Parties. It is the intention of the parties hereto that the contribution of the Contributed Interest, and the sale of the Receivable Interest hereunder, shall constitute sales or other outright conveyances which are absolute and irrevocable and provide Buyer with the full benefits of ownership of the Contributed Interest and the Receivable Interest. The sale of the Receivable Interest and contribution of the Contributed Interest hereunder are made without recourse to Originator; provided, however, that (i) Originator shall be liable to Buyer for all representations, warranties,

covenants and indemnities made by Originator pursuant to the terms of the Transaction Documents to which Originator is a party, and (ii) such sale and contribution do not constitute and are not intended to result in an assumption by Buyer or any assignee thereof of any obligation of Originator or any other Person arising in connection with the Pool Receivables, the related Contracts and/or other Related Security or any other obligations of Originator. In view of the intention of the parties hereto that the conveyances of the Receivable Interest and the Contributed Interest made hereunder shall constitute sales or other outright conveyances thereof rather than loans secured thereby, Originator agrees that it will, on or prior to the date hereof, mark its master data processing records relating to the Pool Receivables with a legend acceptable to Buyer and to the Agent (as Buyer's assignee), evidencing that Buyer owns the Receivable Interest and the Contributed Interest as provided in this Agreement and to note in its financial statements that the Receivable Interest has been sold, and the Contributed Interest has been contributed, to Buyer and have been further sold or pledged to the Agent. Upon the request of Buyer or the Agent (as Buyer's assignee), Originator will execute and file such financing or continuation statements, or amendments thereto or assignments thereof, and such other instruments or notices, as may be necessary or appropriate to perfect and maintain the perfection of Buyer's ownership of the Receivable Interest and the Contributed Interest, or as Buyer or the Agent (as Buyer's assignee) may reasonably request.

ARTICLE II.

PAYMENTS AND COLLECTIONS

Section 2.1 Collections Prior to Termination. On each Business Day prior to the Termination Date, after deduction by the Servicer of its Servicing Fee: (i) the Originator's Percentage of any remaining Collections received by the Servicer on such Business Day shall be deposited to the Originator's Account, and (ii) the Buyer's Percentage then in effect of any remaining Collections received by the Servicer shall be, at the Buyer's option, either applied to payment of any amounts owing on such Business Day by Buyer to Originator in respect of the Subordinated Note or deposited to the Facility Account and then transferred to the Originator's Account as payment of the Purchase Price for the Receivable Interest.

Section 2.2 Collections Following Termination. On the Termination Date and on each day thereafter until payment in full of all Aggregate Unpaids, after deduction of the Servicing Fee: (i) the Originator's Percentage then in effect of any remaining Collections received by the Servicer on such Business Day shall be deposited to the Originator's Account, and (ii) the Buyer's Percentage then in effect of any remaining Collections received by the Servicer shall be deposited to the Facility Account.

Section 2.3 Payment Recission. No amount due and owing to either party hereunder shall be considered paid or applied hereunder to the extent that, at any time, all or any portion of such payment or application is rescinded by application of law or judicial authority, or must otherwise be returned or refunded for any reason. The paying party shall remain obligated for the amount of any payment or application so rescinded, returned or refunded, and shall promptly pay to the Person who suffered such recission, return or refund) the full amount thereof, plus interest thereon at the Default Fee from the date of any such recission, return or refunding.

ARTICLE III.

REPRESENTATIONS AND WARRANTIES

Section 3.1 Representations and Warranties of the Originator. Originator hereby represents and warrants to Buyer and its assigns, as of the date hereof and as of each Business Day hereafter through and including the Termination Date that:

(a) Existence and Power. Originator is a limited partnership, duly organized, validly existing and in good standing under the laws of Delaware, and is duly qualified to do business and is in good standing as a foreign partnership, and has and holds all partnership power and all governmental licenses, authorizations, consents and approvals required to carry on its business in each jurisdiction in which its business is conducted except where the failure to so qualify or so hold could not reasonably be expected to have a Material Adverse Effect.

(b) Power and Authority; Due Authorization, Execution and Delivery. The execution and delivery by Originator of this Agreement and each other Transaction Document to which it is a party, and the performance of its obligations hereunder and thereunder and, Originator's use of the proceeds of the Purchase made hereunder, are within its partnership powers and authority and have been duly authorized by all necessary partnership action on its part. This Agreement and each other Transaction Document to which Originator is a party has been duly executed and delivered by Originator.

(c) No Conflict. The execution and delivery by Originator of this Agreement and each other Transaction Document to which it is a party, and the performance of its obligations hereunder and thereunder do not contravene or violate (i) its certificate of formation or partnership agreement, (ii) any law, rule or regulation applicable to it, (iii) any restrictions under any agreement, contract or instrument to which it is a party or by which it or any of its property is bound, or (iv) any order, writ, judgment, award, injunction or decree binding on or affecting it or its property, and do not result in the creation or imposition of any Adverse Claim on assets of Originator or its Subsidiaries (except as created under the Transaction Documents) except, in each case, where such contravention or violation could not reasonably be expected to have a Material Adverse Effect; and no transaction contemplated hereby requires compliance with any bulk sales act or similar law.

(d) Governmental Authorization. Other than the filing of the financing statements required hereunder, no authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution and delivery by Originator of this Agreement

and each other Transaction Document to which it is a party and the performance of its obligations hereunder and thereunder.

(e) Actions, Suits. There are no actions, suits or proceedings pending, or to the best of Originator's knowledge, threatened, against or affecting Originator, or any of its properties, in or before any Governmental Authority, which (a) purport to affect or pertain to this Agreement or any other Transaction Document or any of the transactions contemplated hereby or thereby; or (b) if determined adversely to Originator, would reasonably be expected to have a Material Adverse Effect. No injunction, writ, temporary restraining order or any order of any nature has been issued by any court or other Governmental Authority purporting to enjoin or restrain the execution, delivery or performance of this Agreement or any other Transaction Document, or directing that the transactions provided for herein or therein not be consummated as herein or therein provided.

(f) Binding Effect. This Agreement and each other Transaction Document to which Originator is a party constitute the legal, valid and binding obligations of Originator enforceable against Originator in accordance with their respective terms, except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws relating to or limiting creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

(g) Accuracy of Information. All information heretofore furnished by Originator or any of its Affiliates to Buyer (or its assigns) for purposes of or in connection with this Agreement, any of the other Transaction Documents or any transaction contemplated hereby or thereby is, and all such information hereafter furnished by Originator or any of its Affiliates to Buyer (or its assigns) will be, true and accurate in every material respect on the date such information is stated or certified and does not and will not contain any untrue statement of a material fact or omit any material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they are made, not misleading as of the time when made or delivered.

(h) Use of Proceeds. No Purchase Price payment hereunder will be used (i) for a purpose that violates, or would be inconsistent with, any law, rule or regulation applicable to Originator or (ii) to acquire any security in any transaction which is subject to Section 13 or 14 of the Securities Exchange Act of 1934, as amended. (i) Good Title. On the Initial Computation Date and upon the creation of each Pool Receivable coming into existence after the Initial Computation Date, Originator (i) is the legal and beneficial owner of the Pool Receivables and (ii) is the legal and beneficial owner of the Collections and Related Security with respect thereto, in each case, free and clear of any Adverse Claim except as created by the Transaction Documents.

(j) Perfection. This Agreement, together with the filing of the financing statements contemplated hereby, is effective to transfer to Buyer (and Buyer shall acquire from Originator) legal and equitable title to, with the right to sell and encumber, the Receivable Interest and the Contributed Interest, free and clear of any Adverse Claim, except as created by the Transactions Documents. There have been duly filed all financing statements or other similar instruments or documents necessary under the UCC (or any comparable law) of all appropriate jurisdictions to perfect Buyer's ownership of the Receivable Interest and the Contributed Interest.

(k) Places of Business and Locations of Records. Originator is organized under the laws of Delaware. The principal places of business and chief executive office of Originator and the offices where it keeps all of its records regarding the Receivable Interest are located at the address(es) listed on Exhibit II, or such other locations of which Buyer has been notified in accordance with Section 5.13(a) in jurisdictions where all action required by Section 5.13(a) has been taken and completed. Originator's Federal Employer Identification Number is correctly set forth on Exhibit II.

(l) Material Adverse Effect. Since April 30, 2000, no event has occurred that would have a Material Adverse Effect.

(m) Names. In the five (5) years prior to the date of this Agreement, Originator has not used any partnership names, trade names or assumed names other than the name in which it has executed this Agreement and as listed on Exhibit II.

(n) Ownership of Buyer. Originator owns, directly or indirectly, 100% of the issued and outstanding Equity Interests of Buyer, free and clear of any Adverse Claim. Such Equity Interests are validly issued, fully paid and nonassessable, and there are no options, warrants or other rights to acquire securities of Buyer.

(o) Not a Regulated Entity. Originator is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended, or any successor statute. Originator is not subject to regulation under the Public Utility Holding Company Act of 1935, the Federal Power Act, the Interstate Commerce Act, any state public utilities code, or any other Federal or state statute or regulation limiting its ability to incur Indebtedness or to sell interests in the Pool Receivables.

(p) Compliance with Law. Originator has complied with all applicable laws, rules, regulations, orders, writs, judgments, injunctions, decrees or awards to which it may be subject, except where the failure to so comply could not reasonably be expected to have a Material Adverse Effect. Each Pool Receivable, together with the Contract related thereto, does not contravene any laws, rules or regulations applicable thereto (including, without limitation, laws, rules and regulations relating to truth in lending, fair credit billing, fair credit reporting, equal credit opportunity, fair debt collection practices and privacy), and no part of such Contract is in violation of any such law, rule or regulation, except where such contravention or violation could not reasonably be expected to have a Material Adverse Effect.

(q) Compliance with Credit and Collection Policy. Originator has complied in all material respects with the Credit and Collection Policy with regard to each Pool Receivable and the related Contract, and has not made any change to such Credit and Collection Policy, except such material change as to which Buyer (or its assigns) has been notified in accordance with Section 5.13(a).

(r) Eligible Receivables. Each of the Receivables included as a Pool Receivable in the Receivable Interest or the Contributed Interest on any day prior to the Termination Date is an Eligible Receivable.

(s) Payments to Originator. Neither the sale by Originator of the Receivable Interest, nor the contribution by Originator of the Contributed Interest, is voidable under any section of the Federal Bankruptcy Code.

(t) Enforceability of Contracts. Each Contract with respect to each Pool Receivable is effective to create, and has created, a legal, valid and binding obligation of the related Obligor to pay the Outstanding Balance of the Pool Receivable created thereunder and any accrued interest thereon, enforceable against the Obligor in accordance with its terms, except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws relating to or limiting creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

(u) Accounting. The manner in which Originator accounts for the sale of the Receivable Interest and the contribution of the Contributed Interest does not jeopardize its characterization as being a true sale or an absolute contribution, as applicable.

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

ARTICLE IV.

CONDITIONS OF PURCHASE

Section 4.1 Conditions Precedent to Purchase. The Purchase of the Receivable Interest under this Agreement is subject to the conditions precedent that (a) Buyer shall have been capitalized with the initial Contributed Interest, (b) the Agent shall have received on or before the date of such purchase those documents listed on Schedule A hereto, (c) all conditions precedent to the initial purchase under the Purchase Agreement shall have been satisfied, (d) the representations and warranties set forth in Section 3.1 are true and correct on and as of the date of the Purchase, and (e) no event has occurred and is continuing, or would result from the Purchase, that will constitute a Termination Event, and no event has occurred and is continuing, or would result from the Purchase, that would constitute a Potential Termination Event.

ARTICLE V.

COVENANTS

Section 5.1 Financial Reporting. Originator shall deliver to the Buyer and the Agent (as Buyer's assignee), in form and detail satisfactory to the Buyer and the Agent (as Buyer's assignee) and consistent with the form and detail of financial statements and projections provided to the Buyer and the Agent (as Buyer's assignee) by Originator and its Affiliates prior to the date of this Agreement:

(a) Originator's Annual Financial Statements. As soon as available, but not later than 100 days after the end of each fiscal year, a copy of the audited consolidated balance sheet of Originator and its Subsidiaries as at the end of such year and the related consolidated statements of income or operations, partners' or shareholders' equity and cash flows for such year, setting forth in each case in comparative form the figures for the previous fiscal year, and accompanied by the opinion of a nationally-recognized independent public accounting firm ("Independent Auditor") which report shall state that such consolidated financial statements present fairly the financial position for the periods indicated in conformity with GAAP applied on a basis consistent with prior years. Such opinion shall not be qualified or limited in any manner, including on account of any limitation on it because of a restricted or limited examination by the Independent Auditor of any material portion of the Originator's or any Subsidiary's records;

(b) Originator's Quarterly Financial Statements. As soon as available, but not later than 45 days after the end of each of the first three fiscal quarters of each fiscal year, a copy of the unaudited consolidated balance sheet of Originator and its Subsidiaries as of the end of such quarter and the related consolidated statements of income, partners' or shareholders' equity and cash flows for the period commencing on the first day and ending on the last day of such quarter, and certified by a Responsible Officer as fairly presenting, in accordance with GAAP (subject to ordinary, good faith year-end audit adjustments), the financial position and the results of operations of Originator and the Subsidiaries; and

(c) General Partner Annual Consolidated Statements. As soon as available, but not later than 100 days after the end of each fiscal year of the General Partner, a copy of the unaudited (or audited, if available) consolidated balance sheets of the General Partner as of the end of such fiscal year and the related consolidated statements of income, shareholders' equity and cash flows for such fiscal year, certified by a Responsible Officer as fairly presenting, in accordance with GAAP, the financial position and the results of operations of the General Partner and its Subsidiaries (or, if available, accompanied by an opinion of an Independent Auditor as described in Section 5.1(a) above).

Section 5.2 Certificates; Other Information. Originator shall furnish to the Buyer and the Agent (as Buyer's assignee):

(a) Independent Auditor's Certificate. Concurrently with the delivery of the financial statements referred to in Section 5.1(a), a certificate of the

Independent Auditor stating that in making the examination necessary therefor no knowledge was obtained of any Termination Event or Potential Termination Event, except as specified in such certificate;

(b) Compliance Certificate. Concurrently with the delivery of the financial statements referred to in Sections 5.1(a) and (b), a Compliance Certificate executed by a Responsible Officer with respect to the periods covered by such financial statements together with supporting calculations and such other supporting detail as the Buyer and the Agent (as Buyer's assignee) shall require;

(c) SEC Reports. Promptly, copies of all financial statements and reports that the MLP sends to its partners, and copies of all financial statements and regular, periodic or special reports (including Forms 10-K, 10-Q and 8-K) that Originator or any Affiliate of Originator, the General Partner, the MLP or any Subsidiary may make to, or file with, the SEC; and

(d) Other Information. Promptly, such additional information regarding the Pool Receivables or the business, financial or corporate affairs of Originator, the General Partner, the MLP or any Subsidiary as the Buyer or the Agent (as Buyer's assignee) may from time to time request.

Section 5.3 Notices. Originator shall promptly notify the Buyer and the Agent (as Buyer's assignee):

(a) Of the occurrence of any Potential Termination Event or Termination Event;

(b) Of any matter that has resulted or may reasonably be expected to result in a Material Adverse Effect, including (i) breach or non-performance of, or any default under, a Contractual Obligation of Originator, the General Partner, the MLP or any Subsidiary; (ii) any dispute, litigation, investigation, proceeding or suspension between Originator, the General Partner, the MLP or any Subsidiary and any Governmental Authority; or (iii) the commencement of, or any material development in, any litigation or proceeding affecting Originator, the General Partner, the MLP or any Subsidiary, including pursuant to any applicable Environmental Laws, in each case to the extent that any of the foregoing has resulted or may reasonably be expected to result in a Material Adverse Effect;

(c) The occurrence of a default or an event of default under any other financing arrangement pursuant to which Originator, the General Partner or the MLP is a debtor or an obligor;

(d) From and after the time, if any, when either Standard and Poor's Ratings Group or Moody's Investors Service, Inc. rates any Indebtedness of Originator, any downgrade of which Originator becomes aware in the rating of any such Indebtedness by either such rating agency, setting forth the Indebtedness affected and the nature of such change;

(e) At least thirty (30) days prior to the effectiveness of any material change in or material amendment to the Credit and Collection Policy, a copy of the Credit and Collection Policy then in effect and a notice (A) indicating such change or amendment, and (B) if such proposed change or amendment would be reasonably likely to adversely affect the collectibility of the Pool Receivables or decrease the credit quality of any newly created Pool Receivables, requesting Buyer's consent thereto;

(f) Of any material change in accounting policies or financial reporting practices by Originator or any of its consolidated Subsidiaries; and

(g) If any of the representations and warranties in Article III ceases to be true and correct.

Each notice under this Section shall be accompanied by a written statement by a Responsible Officer setting forth details of the occurrence referred to therein, and stating what action Originator or any affected Affiliate proposes to take with respect thereto and at what time. Each notice under Section 5.3(a) shall describe with particularity any and all clauses or provisions of this Agreement or other Transaction Document that have been breached or violated.

Section 5.4 Compliance with Laws. Originator shall comply with all Requirements of Law of any Governmental Authority having jurisdiction over it or its business (including the Federal Fair Labor Standards Act), except such as may be contested in good faith or as to which a bona fide dispute may exist or the failure of which to comply with could not reasonably be expected to have a Material Adverse Effect.

Section 5.5 Preservation of Existence, Etc. Originator shall:

(a) Preserve and maintain in full force and effect its partnership existence and good standing under the laws of its state or jurisdiction of organization except in connection with transactions permitted by the Credit Agreement;

(b) Preserve and maintain in full force and effect all governmental rights, privileges, qualifications, permits, licenses and franchises necessary or desirable in the normal conduct of its business except in connection with transactions permitted by the Credit Agreement, or except where the failure to so preserve or maintain such governmental rights, privileges, qualifications, permits, licenses and franchises could not reasonably be expected to have a Material Adverse Effect;

(c) Preserve its business organization and goodwill, except where the failure to so preserve its business organization or goodwill could not reasonably be expected to have a Material Adverse Effect; and

(d) Preserve or renew all of its registered patents, trademarks, trade names and service marks, the non-preservation of which could reasonably be expected to have a Material Adverse Effect.

Section 5.6 Payment of Obligations. Originator shall pay and discharge as the same shall become due and payable (except to the extent the failure to so pay and discharge could not reasonably be expected to have a Material Adverse Effect), all of its obligations and liabilities, including:

(a) All tax liabilities, assessments and governmental charges or levies upon it or its properties or assets, unless the same are being contested in good faith by appropriate proceedings and adequate reserves in accordance with GAAP are being maintained by Originator or such Subsidiary; and

(b) All lawful claims which, if unpaid, would by law become a Adverse Claim upon its property, unless such claims are being contested in good faith by appropriate proceedings and adequate reserves in accordance with GAAP are being maintained by Originator or such Subsidiary.

Section 5.7 Audits. Originator will furnish to Buyer (or its assigns) from time to time such information with respect to it and the Pool Receivables as Buyer (or its assigns) may reasonably request. Originator will, from time to time during regular business hours as requested by Buyer (or its assigns), upon reasonable notice and at the sole cost of Originator, permit Buyer (or its assigns) or their respective agents or representatives (i) to examine and make copies of and abstracts from all Records in the possession or under the control of Originator relating to the Pool Receivables and the Related Security, including, without limitation, the related Contracts, and (ii) to visit the offices and properties of Originator for the purpose of examining such materials described in clause (i) above, and to discuss matters relating to Originator's financial condition or the Pool Receivables and the Related Security or Originator's performance under any of the Transaction Documents or Originator's performance under the Contracts and, in each case, with any of the officers or employees of Originator having knowledge of such matters.

Section 5.8 Keeping of Records and Books. Originator will maintain and implement administrative and operating procedures (including, without limitation, an ability to recreate records evidencing Pool Receivables in the event of the destruction of the originals thereof), and keep and maintain all documents, books, records and other information reasonably necessary or advisable for the collection of all Pool Receivables (including, without limitation, records adequate to permit the immediate identification of each new Pool Receivable and all Collections of and adjustments to each existing Pool Receivable). Originator will give Buyer (or its assigns) notice of any material change in the administrative and operating procedures referred to in the previous sentence.

Section 5.9 Compliance with Contracts and Credit and Collection Policy. Originator will timely and fully (i) perform and comply with all provisions, covenants and other promises required to be observed by it under the Contracts related to the Pool Receivables, except where the failure to so comply could not reasonably be expected to have a material adverse impact on the overall collectibility of the Pool Receivables, and (ii) comply in all respects with the Credit and Collection Policy in regard to each Pool Receivable and the related Contract, except where the failure to so comply could not reasonably be expected to have a material adverse impact on the overall collectibility of the Pool Receivables.

Section 5.10 Ownership. Originator will take all necessary action to establish and maintain, irrevocably in Buyer, legal and equitable title to the Receivable Interest and the Contributed Interest, free and clear of any Adverse Claims other than Adverse Claims arising under the Transaction Documents (including, without limitation, the filing of all financing statements or other similar instruments or documents necessary under the UCC (or any comparable law) of all appropriate jurisdictions to perfect Buyer's interest in the Receivable Interest and the Contributed Interest and such other action to perfect, protect or more fully evidence the interest of Buyer as Buyer (or its assigns) may reasonably request).

Section 5.11 Purchasers' Reliance. Originator acknowledges that the Agent and the Purchasers are entering into the transactions contemplated by the Purchase Agreement in reliance upon Buyer's identity as a legal entity that is separate from Originator and any Affiliates thereof. Therefore, from and after the date of execution and delivery of this Agreement, Originator will take all reasonable steps including, without limitation, all steps that Buyer or any assignee of Buyer may from time to time reasonably request to maintain Buyer's identity as a separate legal entity and to make it manifest to third parties that Buyer is an entity with assets and liabilities distinct from those of Originator and any Affiliates thereof and not just a division of Originator or any such Affiliate. Without limiting the generality of the foregoing and in addition to the other covenants set forth herein, Originator (i) will not hold itself out to third parties as liable for the debts of Buyer nor purport to own the Receivable Interest or the Contributed Interest, (ii) will take all other actions necessary on its part to ensure that Buyer is at all times in compliance with the covenants set forth in Section 7.10 of the Purchase Agreement and (iii) will cause all tax liabilities arising in connection with the transactions contemplated herein or otherwise to be allocated between Originator and Buyer on an arm's-length basis and in a manner consistent with the procedures set forth in U.S. Treasury Regulations ss.ss.1.1502-33(d) and 1.1552-1.

Section 5.12 Collections. Originator, individually or as Servicer, will cause all Collections on the Pool Receivables to be concentrated no less often than weekly into the Servicer's Concentration Account; provided, however, that upon written request of Buyer (or its assignee), Originator, individually or as Servicer, will cause all such Collections to be concentrated each Business Day into the Servicer's Concentration Account. Originator, individually or as Servicer, will sweep the Buyer's Percentage of all such Collections from the Servicer's Concentration Account no less than daily into the Facility Account and, unless the Termination Date has occurred, immediately thereafter transferred to the Originator's Account.

Section 5.13 Negative Covenants of Originator. Until the date on which this Agreement terminates in accordance with its terms, Originator hereby covenants

that:

(a) Name Change, Offices and Records. Originator will not change its name, identity or legal structure (within the meaning of Article 9 of any applicable enactment of the UCC) or relocate its chief executive office or any office where Records are kept unless it shall have: (i) given Buyer (or its assigns) at least fifteen (15) days' prior written notice thereof and (ii) delivered to Buyer (or its assigns) all financing statements, instruments and other documents requested by Buyer (or its assigns) in connection with such change or relocation.

(b) Change in Payment Instructions to Obligors. Originator will not authorize any Obligor to make payment to any Lock-Box or Collection Account (each, as defined in the Purchase Agreement) other than one which is swept into the Servicer's Concentration Account in accordance with Section 5.12.

(c) Modifications to Contracts and Credit and Collection Policy. Originator will not make any change to the Credit and Collection Policy that could adversely affect the collectibility of the Pool Receivables or decrease the credit quality of any newly created Pool Receivables. Except as otherwise permitted in its capacity as Servicer pursuant to Article VIII of the Purchase Agreement, Originator will not extend, amend or otherwise modify the terms of any Pool Receivable or any Contract related thereto other than in accordance with the Credit and Collection Policy.

(d) Sales, Adverse Claims. Originator will not sell, assign (by operation of law or otherwise) or otherwise dispose of, or grant any option with respect to, or create or suffer to exist any Adverse Claim upon (including, without limitation, the filing of any financing statement) or with respect to, the Receivable Interest, the Contributed Interest, or the Servicer's Concentration Account, or assign any right to receive income with respect thereto (other than, in each case, the creation of the interests therein in favor of Buyer provided for herein), and Originator will defend the right, title and interest of Buyer in, to and under any of the foregoing property, against all claims of third parties claiming through or under Originator.

(e) Accounting for Purchase. Originator will not, and will not permit any Affiliate to, account for or treat (whether in financial statements or otherwise) the transactions contemplated hereby in any manner other than the sale of the Receivable Interest and a contribution of the Contributed Interest by Originator to Buyer except to the extent that either such transaction is not recognized on account of consolidated financial reporting in accordance with generally accepted accounting principles.

(f) Change in Business. Originator shall not engage in any material line of business substantially different from those lines of business carried on by Originator and the Restricted Subsidiaries on the date of this Agreement.

(g) Accounting Changes. Originator shall not, and shall not suffer or permit any Restricted Subsidiary to, make any significant change in accounting treatment or reporting practices, except as required by GAAP, or change the fiscal year of Originator or of any Restricted Subsidiary except as required by the Code.

ARTICLE VI.

ADMINISTRATION AND COLLECTION

Section 6.1 Designation of Servicer. The servicing, administration and collection of the Pool Receivables shall be conducted by such Person (the "Servicer") so designated from time to time in accordance with this Section 6.1. Ferrellgas, L.P. is hereby designated as, and hereby agrees to perform the duties and obligations of, the Servicer pursuant to the terms of this Agreement and the Purchase Agreement. The Agent (as Buyer's assignee) may at any time designate as Servicer any Person to succeed Ferrellgas, L.P. or any successor Servicer; provided, however, that unless a Termination Event has occurred, replacement of the Servicer shall not result in the occurrence of the Termination Date.

Section 6.2 Duties of Servicer.

(a) The Servicer shall take or cause to be taken all such actions as may be necessary or advisable to collect each Pool Receivable from time to time, all in accordance with applicable laws, rules and regulations, with reasonable care and diligence, and in accordance with the Credit and Collection Policy.

(b) The Servicer shall administer the Collections in accordance with the procedures described in this Agreement and the Purchase Agreement.

(c) Any payment by an Obligor in respect of any indebtedness owed by it to Originator shall, except as otherwise specified by such Obligor or otherwise required by contract or law and unless otherwise instructed by the Agent, be applied as a Collection of any Pool Receivable of such Obligor (starting with the oldest such Pool Receivable) to the extent of any amounts then due and payable thereunder before being applied to any other receivable or other obligation of such Obligor.

Section 6.3 Servicing Fee. In consideration of Ferrellgas, L.P.'s agreement to act as Servicer hereunder and under the Purchase Agreement, the parties hereby agree that, so long as Ferrellgas, L.P. shall continue to perform as Servicer hereunder and under the Purchase Agreement, as compensation for its servicing activities, Ferrellgas, L.P. shall be entitled to a per annum fee (the "Servicing Fee"), payable monthly in arrears on the 20th day of each month hereafter (or, if any such date is not a Business Day, on the next succeeding Business Day), determined between the Servicer and Buyer on an arms'-length basis at a rate not to exceed 2.0% per annum of the average aggregate Outstanding Balance of all Pool Receivables during the calendar month then most recently ended (at any time while Ferrellgas, L.P. or one of its Affiliates is acting as Servicer).

ARTICLE VII.

TERMINATION EVENTS

Section 7.1 Termination Events. The occurrence of any one or more of the following events shall constitute a Termination Event:

(a) Non-Payment. Originator fails to pay, within 5 days after the same becomes due, any interest, fee or any other amount payable under this Agreement or under any other Transaction Document; or

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

(c) Specific Defaults. Originator fails to perform or observe any term, covenant or agreement contained in any of Section 5.3(a), 5.12 or 5.13; or

(d) Other Defaults. Originator fails to perform or observe any other term or covenant contained in this Agreement or any other Transaction Document, and such default shall continue unremedied for a period of 30 days after the earlier of (i) the date upon which a Responsible Officer knew or reasonably should have known of such failure or (ii) the date upon which written notice thereof is given to Originator by Buyer or the Agent (as Buyer's assignee); or

(e) Cross-Default. (i) Any Event of Default under and as defined in the Credit Agreement or the Synthetic Lease Documents shall occur and either (A) the administrative agent thereunder accelerates the Indebtedness arising pursuant thereto, or (B) the requisite lenders thereunder shall not have agreed in writing to waive such Event of Default or to forbear from exercising their remedies as a result thereof within 30 days after the occurrence thereof; or (ii) Originator, the General Partner or any Restricted Subsidiary (A) fails to make any payment in respect of any Indebtedness (other than Indebtedness arising pursuant to the Credit Agreement), Synthetic Lease Obligation (other than one arising under the Synthetic Lease Documents) or Contingent Obligation having an aggregate principal amount (including undrawn committed or available amounts and including amounts owing to all creditors under any combined or syndicated credit arrangement) of more than $10,000,000 when due (whether by scheduled maturity, required prepayment, acceleration, demand, or otherwise) and such failure continues after the applicable grace or notice period, if any, specified in the relevant document on the date of such failure; or (B) fails to perform or observe any other condition or covenant, or any other event (including any termination or similar event in respect of any Accounts Receivable Securitization) shall occur or condition exist, under any agreement or instrument relating to any such Indebtedness (other than Indebtedness pursuant to the Credit Agreement), Synthetic Lease Obligation (other than one arising under the Synthetic Lease Documents) or Contingent Obligation, and such failure continues after the applicable grace or notice period, if any, specified in the relevant document on the date of such failure if the effect of such failure, event or condition is to cause, or to permit the holder or holders of such Indebtedness or beneficiary or beneficiaries of such Indebtedness or such Synthetic Lease Obligation (or a trustee or agent on behalf of such holder or holders or beneficiary or beneficiaries) to cause such Indebtedness or such Synthetic Lease Obligation to be declared to be due and payable prior to its stated maturity or to cause such Indebtedness, Synthetic Lease Obligation or Contingent Obligation to be prepaid, purchased or redeemed by Originator, the General Partner or any Restricted Subsidiary, or such Contingent Obligation to become payable or cash collateral in respect thereof to be demanded; or

(f) Insolvency; Voluntary Proceedings. The General Partner or Originator (i) ceases or fails to be solvent, or generally fails to pay, or admits in writing its inability to pay, its debts as they become due, subject to applicable grace periods, if any, whether at stated maturity or otherwise; (ii) voluntarily ceases to conduct its business in the ordinary course; (iii) commences any Insolvency Proceeding with respect to itself; or (iv) takes any action to effectuate or authorize any of the foregoing; or

(g) Involuntary Proceedings. (i) Any involuntary Insolvency Proceeding is commenced or filed against the General Partner or Originator, or any writ, judgment, warrant of attachment, execution or similar process, is issued or levied against a substantial part of any such Person's properties, and any such proceeding or petition shall not be dismissed, or such writ, judgment, warrant of attachment, execution or similar process shall not be released, vacated or fully bonded within 60 days after commencement, filing or levy; (ii) the General Partner or Originator admits the material allegations of a petition against it in any Insolvency Proceeding, or an order for relief (or similar order under non-U.S. law) is ordered in any Insolvency Proceeding; or (iii) the General Partner or Originator acquiesces in the appointment of a receiver, trustee, custodian, conservator, liquidator, mortgagee in possession (or agent therefor), or other similar Person for itself or a substantial portion of its property or business; or

(h) ERISA. (i) An ERISA Event occurs with respect to a Pension Plan which has resulted or could reasonably be expected to result in liability of Originator or the General Partner under Title IV of ERISA to the Pension Plan or the PBGC in an aggregate amount in excess of $10,000,000; or (ii) the commencement or increase of contributions to, or the adoption of or the amendment of a Pension Plan by Originator, the General Partner or any of their Affiliates which has resulted or could reasonably be expected to result in an increase in Unfunded Pension Liability among all Pension Plans in an aggregate amount in excess of $10,000,000; or

(i) Monetary Judgments. One or more judgments, orders, decrees or arbitration awards is entered against Originator or the General Partner involving in the aggregate a liability (to the extent not covered by independent third-party insurance as to which the insurer does not dispute coverage) as to any single or

related series of transactions, incidents or conditions, of more than $10,000,000; or

(j) Non-Monetary Judgments. Any non-monetary judgment, order or decree is entered against Originator or the General Partner which does or would reasonably be expected to have a Material Adverse Effect, and there shall be any period of 60 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; or

(k) Adverse Change. There occurs a Material Adverse Effect; or

(l) Change of Control. A Change of Control shall occur; or

(m) Leverage Ratio. Originator shall fail to maintain as of the last day of each fiscal quarter a Leverage Ratio equal to or less than (i) 5.40 to 1.00 as of the last day of each fiscal quarter ending after July 31, 2000 and on or prior to January 31, 2001, and (ii) 4.90 to 1.00 as of the last day of each fiscal quarter ending after January 31, 2001. For purposes of this Section 7.1(m), (x) Funded Debt and Synthetic Lease Obligations shall be calculated as of the last day of such fiscal quarter and (y) Consolidated Cash Flow shall be calculated for the most recently ended four consecutive fiscal quarters, provided, however, that prior to or concurrently with each delivery of a Compliance Certificate pursuant to Section 5.2(b), Originator may elect to calculate Consolidated Cash Flow for the most recently ended eight consecutive fiscal quarters (in which case Consolidated Cash Flow shall be divided by two); or

(n) Interest Coverage Ratio. Originator shall fail to maintain, as of the last day of each fiscal quarter of Originator, an Interest Coverage Ratio for the fiscal period consisting of such fiscal quarter and the three immediately preceding fiscal quarters of at least (i) 2.15 to 1.00 for each such period of four fiscal quarters ending on or prior to January 31, 2001 and (ii) 2.40 to 1.00 each such period of four fiscal quarters ending after January 31, 2001; or

(o) Excessive Contribution or Subordinated Note Balance. The aggregate principal amount outstanding under the Subordinated Note, plus (ii) the Contributed Interest, plus (iii) all other Investments that are not Permitted Investments (each, as defined in the Indenture dated as of April 26, 1996 among the MLP and Ferrellgas Partners Finance Corp, as obligors, Originator, as guarantor, and American Bank National Association, as trustee) exceeds $30,000,000 at any one time outstanding.

Section 7.2 Remedies. Upon the occurrence and during the continuation of a Termination Event, Buyer may take any of the following actions: (i) declare the Termination Date to have occurred, whereupon the Termination Date shall forthwith occur, without demand, protest or further notice of any kind, all of which are hereby expressly waived by Originator; provided, however, that upon the occurrence of a Termination Event described in Section 7.1(f) or (g), or of an actual or deemed entry of an order for relief with respect to Originator under the Federal Bankruptcy Code, the Termination Date shall automatically occur, without demand, protest or any notice of any kind, all of which are hereby expressly waived by Originator and (ii) to the fullest extent permitted by applicable law, declare that the Default Fee shall accrue with respect to any amounts then due and owing by Originator to Buyer. The aforementioned rights and remedies shall be without limitation and shall be in addition to all other rights and remedies of Buyer and its assigns otherwise available under any other provision of this Agreement, by operation of law, at equity or otherwise, all of which are hereby expressly preserved, including, without limitation, all rights and remedies provided under the UCC, all of which rights shall be cumulative.

ARTICLE VIII.

INDEMNIFICATION

Section 8.1 Indemnities by Originator. Without limiting any other rights that Buyer may have hereunder or under applicable law, Originator hereby agrees to indemnify (and pay upon demand to) Buyer and its assigns, officers, directors, agents and employees (each, an "Indemnified Party") from and against any and all damages, losses, claims, taxes, liabilities, costs, expenses and for all other amounts payable, including reasonable attorneys' fees (which attorneys may be employees of Buyer or any such assign) and disbursements (all of the foregoing being collectively referred to as "Indemnified Amounts") awarded against or incurred by any of them arising out of or as a result of this Agreement or the acquisition, either directly or indirectly, by Buyer of the Receivable Interest and/or the Contributed Interest, excluding, however:

(a) Indemnified Amounts to the extent that a final judgment of a court of competent jurisdiction holds that such Indemnified Amounts resulted from gross negligence or willful misconduct on the part of the Indemnified Party seeking indemnification;

(b) Indemnified Amounts to the extent the same includes losses in respect of Pool Receivables that are uncollectible on account of the insolvency, bankruptcy or lack of creditworthiness of the related Obligor; or

(c) taxes imposed by the jurisdiction in which such Indemnified Party's principal executive office is located, on or measured by the overall net income of such Indemnified Party to the extent that the computation of such taxes is consistent with the characterization for income tax purposes of the acquisition by the Purchasers of Purchaser Interests under the Purchase Agreement as a loan or loans by the Purchasers to Buyer secured by, among other things, the Receivable Interest and the Contributed Interest;

provided, however, that nothing contained in this sentence shall limit the liability of Originator or limit the recourse of Buyer to Originator for amounts otherwise specifically provided to be paid by Originator under the terms of this Agreement. Without limiting the generality of the foregoing indemnification, Originator shall indemnify Buyer for Indemnified Amounts (including, without

limitation, losses in respect of uncollectible Pool Receivables, regardless of whether reimbursement therefor would constitute recourse to Originator) relating to or resulting from:

(i) any representation or warranty made by Originator (or any officers of Originator) under or in connection with this Agreement, any other Transaction Document or any other information or report delivered by Originator pursuant hereto or thereto that shall have been false or incorrect when made or deemed made;

(ii) the failure by Originator, to comply with any applicable law, rule or regulation with respect to any Pool Receivable or Contract related thereto, or the nonconformity of any Pool Receivable or Contract included therein with any such applicable law, rule or regulation or any failure of Originator to keep or perform any of its obligations, express or implied, with respect to any Contract;

(iii) any failure of Originator to perform its duties, covenants or other obligations in accordance with the provisions of this Agreement or any other Transaction Document;

(iv) any products liability, personal injury or damage suit or other similar claim arising out of or in connection with merchandise, insurance or services that are the subject of any Contract or any Pool Receivable;

(v) any dispute, claim, offset or defense (other than discharge in bankruptcy of the Obligor) of the Obligor to the payment of any Pool Receivable (including, without limitation, a defense based on such Pool Receivable or the related Contract not being a legal, valid and binding obligation of such Obligor enforceable against it in accordance with its terms), or any other claim resulting from the sale of the merchandise or service related to such Pool Receivable or the furnishing or failure to furnish such merchandise or services;

(vi) the commingling of Collections allocable to the Receivable Interest or the Contributed Interest at any time with other funds;

(vii) any investigation, litigation or proceeding related to or arising from this Agreement or any other Transaction Document, the transactions contemplated hereby, the use of the proceeds of any Purchase Price payment, the ownership of the Receivable Interest or the Contributed Interest or any other investigation, litigation or proceeding relating to Originator in which any Indemnified Party becomes involved as a result of any of the transactions contemplated hereby;

(viii) any inability to litigate any claim against any Obligor in respect of any Pool Receivable as a result of such Obligor being immune from civil and commercial law and suit on the grounds of sovereignty or otherwise from any legal action, suit or proceeding;

(ix) any Termination Event described in Section 7.1(f) or (g);

(x) any failure to vest and maintain vested in Buyer, or to transfer to Buyer, legal and equitable title to, and ownership of, the Receivable Interest and the Contributed Interest free and clear of any Adverse Claim;

(xi) the failure to have filed, or any delay in filing, financing statements or other similar instruments or documents under the UCC of any applicable jurisdiction or other applicable laws with respect to the Receivable Interest and the Contributed Interest, and the proceeds of any thereof, whether at the time of the Purchase or at any subsequent time;

(xii) any action or omission by Originator which reduces or impairs the rights of Buyer with respect to any Pool Receivable or the value of any such Pool Receivable; and

(xiii) any attempt by any Person to void the Purchase hereunder under statutory provisions or common law or equitable action.

Section 8.2 Other Costs and Expenses. Originator shall pay all reasonable costs and out-of-pocket expenses in connection with the preparation, execution and delivery of this Agreement. Originator shall pay to Buyer on demand any and all costs and expenses of Buyer, if any, including reasonable counsel fees and expenses in connection with the enforcement of this Agreement and the other documents delivered hereunder and in connection with any restructuring or workout of this Agreement or such documents, or the administration of this Agreement following a Termination Event.

ARTICLE IX.

MISCELLANEOUS

Section 9.1 Waivers and Amendments.

(a) No failure or delay on the part of Buyer (or its assigns) in exercising any power, right or remedy under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any such power, right or remedy preclude any other further exercise thereof or the exercise of any other power, right or remedy. The rights and remedies herein provided shall be cumulative and nonexclusive of any rights or remedies provided by law. Any waiver of this Agreement shall be effective only in the specific instance and for the specific purpose for which given.

(b) No provision of this Agreement or the Subordinated Note may be amended, supplemented, modified or waived except in writing signed by Originator and Buyer and, to the extent required under the Purchase Agreement, the Agent and the Financial Institutions or the Required Financial Institutions.

Section 9.2 Notices. All communications and notices provided for hereunder shall be in writing (including bank wire, telecopy or electronic facsimile transmission or similar writing) and shall be given to the other parties hereto at their respective addresses or telecopy numbers set forth on the signature pages hereof or at such other address or telecopy number as such Person may hereafter specify for the purpose of notice to the other party hereto. Each such notice or other communication shall be effective (a) if given by telecopy, upon the receipt thereof, (b) if given by mail, three (3) Business Days after the time such communication is deposited in the mail with first class postage prepaid or (c) if given by any other means, when received at the address specified in this Section 7.2.

Section 9.3 Protection of Ownership Interests of Buyer.

(a) Originator agrees that from time to time, at its expense, it will promptly execute and deliver all instruments and documents, and take all actions, that may be necessary or desirable, or that Buyer (or its assigns) may request, to perfect, protect or more fully evidence the interest of Buyer hereunder and the Receivable Interest and the Contributed Interest, or to enable Buyer (or its assigns) to exercise and enforce their rights and remedies hereunder. At any time, Buyer (or its assigns) may, at Originator's sole cost and expense, direct Originator to notify the Obligors of Pool Receivables of the ownership interests of Buyer under this Agreement and may also, at any time after the occurrence and continuation of a Termination Event, direct that payments of all amounts due or that become due under any or all Pool Receivables be made directly to Buyer or its designee.

(b) If Originator fails to perform any of its obligations hereunder, Buyer (or its assigns) may (but shall not be required to) perform, or cause performance of, such obligations, and Buyer's (or such assigns') costs and expenses incurred in connection therewith shall be payable by Originator as provided in Section 6.2. Originator irrevocably authorizes Buyer (and its assigns) at any time and from time to time in the sole discretion of Buyer (or its assigns), and appoints Buyer (and its assigns) as its attorney(ies)-in-fact, to act on behalf of Originator (i) to, after the occurrence and continuance of a Termination Event execute on behalf of Originator as debtor and to file financing statements necessary or desirable in Buyer's (or its assigns') sole discretion to perfect and to maintain the perfection and priority of the interest of Buyer in the Pool Receivables and (ii) after the occurrence and continuance of a Termination Event, to file a carbon, photographic or other reproduction of this Agreement or any financing statement with respect to the Receivable Interest and the Contributed Interest as a financing statement in such offices as Buyer (or its assigns) in their sole discretion deem necessary or desirable to perfect and to maintain the perfection and priority of Buyer's interest in the Receivable Interest and the Contributed Interest. This appointment is coupled with an interest and is irrevocable.

Section 9.4 Confidentiality.

(a) Originator shall maintain and shall cause each of its employees and officers to maintain the confidentiality of the Fee Letter and the other confidential or proprietary information with respect to the Agent and Conduit and their respective businesses obtained by it or them in connection with the structuring, negotiating and execution of the transactions contemplated herein, except that Originator and its officers and employees may disclose such information to Originator's external accountants and attorneys and as required by any applicable law or order of any judicial or administrative proceeding.

(b) Originator hereby consents to the disclosure of any nonpublic information with respect to it (i) to Buyer, the Agent, the Financial Institutions or Conduit, (ii) to any prospective or actual assignee or participant of any of the Persons described in clause (i), (iii) to any rating agency, Commercial Paper dealer or provider of a surety, guaranty or credit or liquidity enhancement to Conduit or any entity organized for the purpose of purchasing, or making loans secured by, financial assets for which Bank One acts as the administrative agent and (iv) to any officers, directors, employees, outside accountants and attorneys of any of the foregoing, provided each such Person is informed of the confidential nature of such information and, in the case of a Person described in clause (ii), agrees in writing to keep such information confidential. In addition, the Purchasers and the Agent may disclose any such nonpublic information pursuant to any law, rule, regulation, direction, request or order of any judicial, administrative or regulatory authority or proceedings (whether or not having the force or effect of law).

(c) Buyer shall maintain and shall cause each of its employees and officers to maintain the confidentiality of the confidential or proprietary information with respect to Originator, the Obligors and their respective businesses obtained by it in connection with the due diligence evaluations, structuring, negotiating and execution of the Transaction Documents, and the consummation of the transactions contemplated herein and any other activities of Buyer arising from or related to the transactions contemplated herein provided, however, that each of Buyer and its employees and officers shall be permitted to disclose such confidential or proprietary information: (i) to the Persons described in clause (b) above, and (ii) to the extent required pursuant to any applicable law, rule, regulation, direction, request or order of any judicial, administrative or regulatory authority or proceedings with competent jurisdiction (whether or not having the force or effect of law) so long as such required disclosure is made under seal to the extent permitted by applicable law or by rule of court or other applicable body.

Section 9.5 Bankruptcy Petition. (a) Originator and Buyer each hereby covenants and agrees that, prior to the date that is one year and one day after the

payment in full of all outstanding senior indebtedness of Conduit, it will not institute against, or join any other Person in instituting against Conduit any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings or other similar proceeding under the laws of the United States or any state of the United States.

(b) Originator covenants and agrees that, prior to the date that is one year and one day after the payment in full of all outstanding obligations of Buyer under the Purchase Agreement, it will not institute against, or join any other Person in instituting against, Buyer any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings or other similar proceeding under the laws of the United States or any state of the United States.

Section 9.6 Limitation of Liability. Except with respect to any claim arising out of the willful misconduct or gross negligence of Conduit, the Agent or any Financial Institution, no claim may be made by Originator or any other Person against Conduit, the Agent or any Financial Institution or their respective Affiliates, directors, officers, employees, attorneys or agents for any special, indirect, consequential or punitive damages in respect of any claim for breach of contract or any other theory of liability arising out of or related to the transactions contemplated by this Agreement, or any act, omission or event occurring in connection therewith; and Originator hereby waives, releases, and agrees not to sue upon any claim for any such damages, whether or not accrued and whether or not known or suspected to exist in its favor.

Section 9.7 CHOICE OF LAW. THIS AGREEMENT SHALL BE GOVERNED AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS, without regard to the principles of conflicts of laws thereof (except in the case of the other Transaction Documents, to the extent otherwise expressly stated therein) AND EXCEPT TO THE EXTENT THAT THE PERFECTION OF THE OWNERSHIP INTERESTS OR SECURITY INTERESTS OF BUYER OR THE AGENT IN THE RECEIVABLE INTEREST AND THE CONTRIBUTED INTEREST IS GOVERNED BY THE LAWS OF A JURISDICTION OTHER THAN THE STATE OF texas.

Section 9.8 CONSENT TO JURISDICTION. NOTWITHSTANDING THE CHOICE OF TEXAS LAW PURSUANT TO SECTION 9.7, ORIGINATOR HEREBY IRREVOCABLY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF ANY UNITED STATES FEDERAL OR NEW YORK STATE COURT SITTING IN NEW YORK COUNTY, NEW YORK, IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY DOCUMENT EXECUTED BY ORIGINATOR PURSUANT TO THIS AGREEMENT AND ORIGINATOR HEREBY IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN ANY SUCH COURT AND IRREVOCABLY WAIVES ANY OBJECTION IT MAY NOW OR HEREAFTER HAVE AS TO THE VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN SUCH A COURT OR THAT SUCH COURT IS AN INCONVENIENT FORUM. NOTHING HEREIN SHALL LIMIT THE RIGHT OF BUYER (OR ITS ASSIGNS) TO BRING PROCEEDINGS AGAINST ORIGINATOR IN THE COURTS OF ANY OTHER JURISDICTION.

Section 9.9 WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES TRIAL BY JURY IN ANY JUDICIAL PROCEEDING INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER (WHETHER SOUNDING IN TORT, CONTRACT OR OTHERWISE) IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH THIS AGREEMENT, ANY DOCUMENT EXECUTED BY ORIGINATOR PURSUANT TO THIS AGREEMENT OR THE RELATIONSHIP ESTABLISHED HEREUNDER OR THEREUNDER.

Section 9.10 Integration; Binding Effect; Survival of Terms.

(a) This Agreement and each other Transaction Document contain the final and complete integration of all prior expressions by the parties hereto with respect to the subject matter hereof and shall constitute the entire agreement among the parties hereto with respect to the subject matter hereof superseding all prior oral or written understandings.

(b) This Agreement shall be binding upon and inure to the benefit of Originator, Buyer and their respective successors and permitted assigns (including any trustee in bankruptcy). Originator may not assign any of its rights and obligations hereunder or any interest herein without the prior written consent of Buyer. Buyer may assign at any time its rights and obligations hereunder and interests herein to any other Person without the consent of Originator. Without limiting the foregoing, Originator acknowledges that Buyer, pursuant to the Purchase Agreement, may assign to the Agent, for the benefit of the Purchasers, its rights, remedies, powers and privileges hereunder and that the Agent may further assign such rights, remedies, powers and privileges to the extent permitted in the Purchase Agreement. Originator agrees that the Agent, as the assignee of Buyer, shall, subject to the terms of the Purchase Agreement, have the right to enforce this Agreement and to exercise directly all of Buyer's rights and remedies under this Agreement (including, without limitation, the right to give or withhold any consents or approvals of Buyer to be given or withheld hereunder) and Originator agrees to cooperate fully with the Agent in the exercise of such rights and remedies. This Agreement shall create and constitute the continuing obligations of the parties hereto in accordance with its terms and shall remain in full force and effect until terminated in accordance with its terms; provided, however, that the rights and remedies with respect to (i) any breach of any representation and warranty made by Originator pursuant to Article II; (ii) the indemnification and payment provisions of Article VIII; and (iii) Section 9.5 shall be continuing and shall survive any termination of this Agreement.

Section 9.11 Counterparts; Severability; Section References. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and the same Agreement. Any provisions of this Agreement which are prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. Unless otherwise expressly indicated, all references herein to "Article," "Section," "Schedule" or "Exhibit" shall mean articles and

sections of, and schedules and exhibits to, this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered by their duly authorized officers as of the date hereof.

FERRELLGAS, L.P.

By: Ferrellgas, Inc., its General Partner

By:
Name: Kevin T. Kelly
Title: Chief Financial Officer

Address:

Ferrellgas, L.P.
One Liberty Plaza
Liberty, Missouri 64068
Attention: Chief Financial Officer
Telephone: (816) 792-6901
Facsimile: (816) 792-6979

FERRELLGAS RECEIVABLES, LLC

By:
Name: Kevin T. Kelly
Title: Chief Financial Officer
Address:
One Allen Center
500 Dallas Street, Suite 2700
Houston, TX 77002

Attention: John Briscoe
Phone: (713) 844-6309
Fax: (713) 844-6527

(a)

EXHIBIT I

DEFINITIONS

This is Exhibit I to the Agreement (as hereinafter defined). As used in the Agreement and the Exhibits, Schedules and Annexes thereto, capitalized terms have the meanings set forth in this Exhibit I (such meanings to be equally applicable to the singular and plural forms thereof). If a capitalized term is used in the Agreement, or any Exhibit, Schedule or Annex thereto, and not otherwise defined therein or in this Exhibit I, such term shall have the meaning assigned thereto in Exhibit I to the Purchase Agreement.

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

"Adjusted Pool Amount" means, on any date of determination, an amount to equal to the quotient of the Funded Amount divided by 0.80.

"Adverse Claim" means any security interest, mortgage, deed of trust, pledge, hypothecation, assignment, charge or deposit arrangement, encumbrance, lien (statutory or other) or preferential arrangement of any kind or nature whatsoever in respect of any property (including those created by, arising under or evidenced by any conditional sale or other title retention agreement, the interest of a lessor under a capital lease, any financing lease having substantially the same economic effect as any of the foregoing, or the filing of any financing statement naming the owner of the asset to which such lien relates as debtor, under the UCC or any comparable law) and any contingent or other agreement to provide any of the foregoing, but not including the interest of a lessor under an operating lease.

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

"Agent" has the meaning set forth in the Preliminary Statements to the Agreement.

"Aggregate Unpaids" has the meaning set forth in the Purchase Agreement.

"Agreement" means the Receivable Interest Sale Agreement, dated as of September 26, 2000, between Originator and Buyer, as the same may be amended, restated or otherwise modified.

"Asset Sale" has the meaning specified in the CreditAgreement.

"Business Day" means any day on which banks are not authorized or required to close in New York, New York or Chicago, Illinois and The Depository Trust Company of New York is open for business.

"Buyer" has the meaning set forth in the preamble to the Agreement.

"Buyer's Percentage" means, on any date of determination, the sum of the Variable Purchased Percentage plus the Variable Contributed Percentage.

"Calculation Period" means (a) the period beginning on the date hereof and ending on October 20, 2000, and (b) thereafter, each period beginning on a Settlement Date and ending on the day preceding the next succeeding Settlement Date.

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

"Capital Lease Obligation" means, at the time any determination thereof is to be made, the amount of the liability in respect of a capital lease that would at such time be so required to be capitalized on the balance sheet in accordance with GAAP.

"Change of Control" means (a) the sale, lease, conveyance or other disposition of all or substantially all of the Originator's assets to any Person or group (as such term is used in Section 13(d)(3) of the Exchange Act) other than James E. Ferrell, the Related Parties and any Person of which James E. Ferrell and the Related Parties beneficially own in the aggregate 51% or more of the voting Capital Interests (or if such Person is a partnership, 51% or more of the general partner interests), (b) the liquidation or dissolution of Originator or the General Partner, and/or (c) the occurrence of any transaction, the result of which is that James E. Ferrell and the Related Parties

beneficially own in the aggregate, directly or indirectly, less than 51% of the total voting power entitled to vote for the election of directors of the General Partner.

"Charged-Off Receivable" means a Receivable: (i) as to which the Obligor thereof has taken any action, or suffered any event to occur, of the type described in Section 7.1(f) or (g) (as if references to the Originator therein refer to such Obligor); (ii) as to which the Obligor thereof, if a natural person, is deceased, (iii) which, consistent with the Credit and Collection Policy, would be written off the Originator's books as uncollectible, or (iv) which has been identified by the Originator, Buyer or Servicer as uncollectible.

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

"Collections" means, with respect to any Pool Receivable, all cash collections and other cash proceeds in respect of such Pool Receivable, including, without limitation, all Finance Charges or other related amounts accruing in respect thereof and all cash proceeds of Related Security with respect to such Pool Receivable.

"Compliance Certificate" means a certificate in the form of Exhibit III hereto duly executed by a Responsible Officer of Originator.

"Conduit" has the meaning set forth in the Preliminary Statements to the Agreement.

"Consolidated Cash Flow" means, with respect to Originator and the Restricted Subsidiaries for any period, the Consolidated Net Income for such period, plus (a) an amount equal to any extraordinary loss plus any net loss realized in connection with an asset sale, to the extent such losses were deducted in computing Consolidated Net Income, plus (b) provision for taxes based on income or profits of Originator and the Restricted Subsidiaries for such period, to the extent such provision for taxes was deducted in computing Consolidated Net Income, plus (c) Consolidated Interest Expense for such period, whether paid or accrued (including amortization of original issue discount, non-cash interest payments and the interest component of any payments associated with Capital Lease Obligations and net payments (if any) pursuant to Hedging Obligations), to the extent such expense was deducted in computing Consolidated Net Income, plus (d) depreciation and amortization (including amortization of goodwill and other intangibles but excluding amortization of prepaid cash expenses that were paid in a prior period) of Originator and the Restricted Subsidiaries for such period, to the extent such depreciation and amortization were deducted in computing Consolidated Net Income, plus (e) non-cash employee compensation expenses of Originator and the Restricted Subsidiaries for such period, plus (f) the Synthetic Lease Principal Component of Originator and the Restricted Subsidiaries for such period; in each case, for such period without duplication on a consolidated basis and determined in accordance with GAAP.

"Consolidated Interest Expense" means, with respect to Originator and the Restricted Subsidiaries for any fiscal period, on a consolidated basis, the sum of (a) all interest, fees (including Letter of Credit fees), charges and related expenses paid or payable (without duplication) by Originator and the Restricted Subsidiaries for that fiscal period to the Banks hereunder or to any other lender in connection with borrowed money or the deferred purchase price of assets that are considered "interest expense" under GAAP, plus (b) the portion of rent paid or payable (without duplication) by Originator and the Restricted Subsidiaries for that fiscal period under Capital Lease Obligations that should be treated as interest in accordance with Financial Accounting Standards Board Statement No. 13, on a consolidated basis, plus (c) the Synthetic Lease Interest Component of Originator and the Restricted Subsidiaries for that fiscal period.

"Consolidated Net Income" means, with respect to Originator and the Restricted Subsidiaries for any period, the aggregate of the Net Income of Originator and the Restricted Subsidiaries for such period, on a consolidated basis, determined in accordance with GAAP; provided, that (a) the Net Income of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting shall be included only to the extent of the amount of dividends or distributions paid to Originator or a Wholly-Owned Subsidiary of the Originator, (b) the Net Income of any Person that is a Restricted Subsidiary (other than a Wholly-Owned Subsidiary) shall be included only to the extent of the amount of dividends or distributions paid to Originator or a Wholly-Owned Subsidiary of the Originator, (c) the Net Income of any Person acquired in a pooling of interests transaction for any period prior to the date of such acquisition shall be excluded except to the extent otherwise includable under clause (a) above and (d) the cumulative effect of a change in accounting principles shall be excluded.

"Contingent Obligation" means, as to any Person, any direct or indirect liability of that Person, whether or not contingent, with or without recourse: (a) with respect to any Indebtedness, lease, dividend, distribution, letter of credit or other obligation (the "primary obligations") of another Person (the "primary obligor"), including any obligation of that Person (i) to purchase, repurchase or otherwise acquire such primary obligations or any security therefor, (ii) to advance or provide funds for the payment or discharge of any such primary obligation, or to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency or any balance sheet item, level of income or financial condition of the primary obligor, (iii) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation, or (iv) otherwise to assure or hold harmless the holder of any such primary obligation against loss in respect thereof (each, a "Guaranty Obligation"); (b) with respect to any Surety Instrument (other than any Letter of Credit) issued for the account of that Person or as to which that Person is otherwise liable for reimbursement of drawings or payments; (c) to purchase any materials, supplies

or other property from, or to obtain the services of, another Person if the relevant contract or other related document or obligation requires that payment for such materials, supplies or other property, or for such services, shall be made regardless of whether delivery of such materials, supplies or other property is ever made or tendered, or such services are ever performed or tendered; or (d) in respect of any Hedging Obligation. The amount of any Contingent Obligation shall, in the case of Guaranty Obligations, be deemed equal to the stated or determinable amount of the primary obligation in respect of which such Guaranty Obligation is made or, if not stated or if indeterminable, the maximum reasonably anticipated liability in respect thereof, and in the case of other Contingent Obligations, shall be equal to the maximum reasonably anticipated liability in respect thereof.

"Contract" means, with respect to any Pool Receivable, any and all instruments, agreements, invoices or other writings pursuant to which such Pool Receivable arises or which evidences such Pool Receivable.

"Contractual Obligation" means, as to any Person, any provision of any security issued by such Person or of any agreement, undertaking, contract, indenture, mortgage, deed of trust or other instrument, document or agreement to which such Person is a party or by which it or any of its property is bound.

"Contributed Interest" means a specified dollar amount of Pool Receivables which equates to a variable undivided percentage interest (less than or equal to 100%) in and to the Pool Receivables, the associated Related Security and Collections and all proceeds of the foregoing equal to the Variable Contributed Percentage.

"Credit Agreement" means that certain Third Amended and Restated Credit Agreement dated as of April 18, 2000, among Originator, as borrower, the General Partner, the financial institutions from time to time party thereto, and Bank of America, N.A., as administrative agent and documentation agent, as amended from time to time in accordance with the terms thereof.

"Credit and Collection Policy" means Originator's credit and collection policies and practices relating to Contracts and Receivables existing on the date hereof and summarized in Exhibit V, as modified from time to time in accordance with the Agreement.

"Deemed Collections" means Collections deemed to be received by Originator in accordance with Section 1.4 of the Agreement.

"Default Fee" means a per annum rate of interest equal to the sum of (i) the Prime Rate, plus (ii) 2% per annum (computed for actual days elapsed on the basis of a 365/366-day year).

"Defaulted Receivable" means a Receivable as to which any payment, or part thereof, remains unpaid for 61 or more days from the original invoice date for such payment.

"Discount Factor" means a percentage calculated to provide Buyer with a reasonable return on its investment in the Receivable Interest after taking account of (i) the time value of money based upon the anticipated dates of collection of the Pool Receivables and the cost to Buyer of financing its investment in the Receivable Interest during such period and (ii) the risk of nonpayment by the Obligors. Originator and Buyer may agree from time to time to change the Discount Factor based on changes in one or more of the items affecting the calculation thereof, provided that any change to the Discount Factor shall take effect as of the commencement of a Calculation Period, shall apply only prospectively and shall not affect the Purchase Price payment made prior to the Calculation Period during which Originator and Buyer agree to make such change.

"Dollars," "dollars" and "$" each mean lawful money of the United States.

"Eligible Receivable" means, at any time, a Receivable:

(i) the Obligor of which (a) if a natural person, is a resident of the United States or, if a corporation or other business organization, is organized under the laws of the United States or any political subdivision thereof and has its chief executive office in the United States; (b) is not an Affiliate of any of the parties hereto; and (c) is not a government or a governmental subdivision or agency against which assignments of claims may only be assigned in compliance with the Federal Assignment of Claims Act or similar legislation unless the aggregate Outstanding Balance of all Pool Receivables from such Obligors is less than 2% of the aggregate Outstanding Balance of all Pool Receivables,

(ii) the Obligor of which is not the Obligor on Defaulted Receivables, the aggregate Outstanding Balance of which exceeds 10% of such Obligor's total Receivables,

(iii) which is not a Defaulted Receivable or a Charged-Off Receivable,

(iv) which by its terms is due and payable within 30 days of the original billing date therefor and has not had its payment terms extended,

(v) which is an "account" within the meaning of Article 9 of the UCC of all applicable jurisdictions,

(vi) which is denominated and payable only in United States dollars in the United States,

(vii) which arises under an invoice, which, together with such Receivable, is in full force and effect and constitutes the legal, valid and binding obligation of the related Obligor enforceable against such Obligor in accordance with its terms subject to no offset, counterclaim or other defense,

(viii) which arises under an invoice which (A) does not require the Obligor under such invoice to consent to the transfer, sale or assignment of the rights and duties of Originator or any of its assignees under such invoice and (B) does not contain a confidentiality provision that purports to restrict the ability of Buyer or any of its assigns to exercise its rights under the Transaction Documents, including, without limitation, its right to review such invoice,

(ix) which arises under an invoice that contains an obligation to pay a specified sum of money, contingent only upon the sale of propane or the provision of services by Originator,

(x) which, together with the invoice related thereto, does not contravene any law, rule or regulation applicable thereto (including, without limitation, any law, rule and regulation relating to truth in lending, fair credit billing, fair credit reporting, equal credit opportunity, fair debt collection practices and privacy) and with respect to which no part of the invoice related thereto is in violation of any such law, rule or regulation,

(xi) which satisfies all material requirements of the Credit and Collection Policy,

(xii) which was generated in the ordinary course of Originator's business,

(xiii) which arises solely from the sale of propane or the provision of services to the related Obligor by Originator, and not by any other Person (in whole or in part),

(xiv) as to which the Agent has not notified Originator or Buyer that the Agent has determined, in the exercise of its commercially reasonable credit judgment, that such Receivable or class of Receivables is not acceptable as an Eligible Receivable,

(xv) which is not subject to any right of rescission, set-off, counterclaim, any other defense (including defenses arising out of violations of usury laws) of the applicable Obligor against Originator or any other Adverse Claim, and the Obligor thereon holds no right as against Originator to cause Originator to repurchase the propane the sale of which shall have given rise to such Receivable (except with respect to sale discounts effected pursuant to the invoice, or defective goods returned in accordance with the terms of the invoice),

(xvi) as to which Originator has satisfied and fully performed all obligations on its part with respect to such Receivable required to be fulfilled by it, and no further action is required to be performed by any Person with respect thereto other than payment thereon by the applicable Obligor,

(xvii) in which Buyer's undivided ownership interest therein is free and clear of any Adverse Claim, and

(xviii) of which the Obligor and its Affiliates (considered as if they were one and the same Obligor) are not the Obligors on more than 2% of the aggregate Outstanding Balance of all Receivables.

"Environmental Laws" means all federal, state or local laws, statutes, common law duties, rules, regulations, ordinances and codes, together with all administrative orders, directed duties, requests, licenses, authorizations and permits of, and agreements with, any Governmental Authorities, in each case relating to environmental, health, safety and land use matters.

"Equity Interests" means Capital Interests and all warrants, options or other rights to acquire Capital Interests (but excluding any debt security that is convertible into, or exchangeable for, Capital Interests).

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, and regulations promulgated thereunder.

"ERISA Event" means (a) a Reportable Event with respect to a Pension Plan; (b) a withdrawal by Originator or the General Partner from a Pension Plan subject to Section 4063 of ERISA during a plan year in which it was a substantial employer (as defined in Section 4001(a)(2) of ERISA) or a cessation of operations which is treated as such a withdrawal under Section 4062(e) of ERISA; (c) the filing of a notice of intent to terminate, the treatment of a plan amendment as a termination under Section 4041 or 4041A of ERISA or the commencement of proceedings by the PBGC to terminate a Pension Plan subject to Title IV of ERISA; (d) a failure by Originator or the General Partner to make required contributions to a Pension Plan or other Plan subject to Section 412 of the Code; (e) an event or condition which might reasonably be expected to constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Pension Plan; (f) the imposition of any liability under Title IV of ERISA, other than PBGC premiums due but not delinquent under Section 4007 of ERISA, upon Originator or the General Partner; or (g) an application for a funding waiver or an extension of any amortization period pursuant to Section 412 of the Code with respect to any Pension Plan.

"Event of Default" has the meaning specified in the Credit Agreement.

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

"Facility Account" means Buyer's account no. 4496823691 at Wells Fargo Bank, in Dallas, Texas, ABA No. 121000248.

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

"Finance Charges" means, with respect to a Contract, any finance, interest, late payment charges or similar charges owing by an Obligor pursuant to such Contract.

"Fixed Charge Coverage Ratio" means with respect to Originator and the Restricted Subsidiaries for any period, the ratio of Consolidated Cash Flow for such period to Fixed Charges for such period. In the event that Originator or any of the Restricted Subsidiaries (a) incurs, assumes or guarantees any Indebtedness or Synthetic Lease Obligations (other than revolving credit borrowings including, with respect to the Originator, the Loans) or (b) redeems or repays any Indebtedness or Synthetic Lease Obligations (other than revolving credit borrowings that are properly classified as a current liability for GAAP including, with respect to the Originator, the Loans to the extent that such Loans are so classified and excluding, regardless of classification, any Loans or other Indebtedness or Synthetic Lease Obligations the proceeds of which are used for Acquisitions or Growth Related Capital Expenditures), in any case subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated but prior to the date of the event for which the calculation of the Fixed Charge Coverage Ratio is made (the "Fixed Charge Ratio Calculation Date"), then the Fixed Charge Coverage Ratio shall be calculated giving pro forma effect to such incurrence, assumption, guarantee, redemption or repayment of Indebtedness or Synthetic Lease Obligations, as if the same had occurred at the beginning of the applicable reference period. The foregoing calculation of the Fixed Charge Coverage Ratio shall also give pro forma effect to Acquisitions (including all mergers and consolidations), Asset Sales and other dispositions and discontinuances of businesses or assets that have been made by Originator or any of the Restricted Subsidiaries during the reference period or subsequent to such reference period and on or prior to the Fixed Charge Ratio Calculation Date assuming that all such Acquisitions, Asset Sales and other dispositions and discontinuances of businesses or assets had occurred on the first day of the reference period; provided, however, that with respect to Originator and the Restricted Subsidiaries, (a) Fixed Charges shall be reduced by amounts attributable to businesses or assets that are so disposed of or discontinued only to the extent that the obligations giving rise to such Fixed Charges would no longer be obligations contributing to the Fixed Charges of Originator or the Restricted Subsidiaries subsequent to Fixed Charge Ratio Calculation Date and (b) Consolidated Cash Flow generated by an acquired business or asset of Originator or the Restricted Subsidiaries shall be determined by the actual gross profit (revenues minus costs of goods sold) of such acquired business or asset during the immediately preceding number of full fiscal quarters as are in the reference period minus the pro forma expenses that would have been incurred by Originator and the Restricted Subsidiaries in the operation of such acquired business or asset during such period computed on the basis of (i) personnel expenses for employees retained by Originator and the Restricted Subsidiaries in the operation of the acquired business or asset and (ii) non-personnel costs and expenses incurred by Originator and the Restricted Subsidiaries on a per gallon basis in the operation of the Originator's business at similarly situated Originator facilities.

"Fixed Charges" means, with respect to Originator and the Restricted Subsidiaries for any period, the sum, without duplication, of (a) Consolidated Interest Expense for such period, whether paid or accrued, to the extent such expense was deducted in computing Consolidated Net Income (including amortization of original issue discounts, non-cash interest payments, the interest component of all payments associated with Capital Lease Obligations and net payments (if any) pursuant to Hedging Obligations permitted under this Agreement), (b) commissions, discounts and other fees and charges incurred with respect to letters of credit, (c) any interest expense on Indebtedness of another Person that is guaranteed by Originator and the Restricted Subsidiaries or secured by an Adverse Claim on assets of any such Person, and (d) the product of (i) all cash dividend payments on any series of preferred stock of Originator and the Restricted Subsidiaries, times (ii) a fraction, the numerator of which is one and the denominator of which is one minus the then current combined federal, state and local statutory tax rate of the Originator, expressed as a decimal, determined, in each case, on a consolidated basis and in accordance with GAAP.

"Funded Amount" means, as of any date of determination through and including the Termination Date, the Aggregate Capital (under and as defined in the Purchase Agreement) then outstanding.

"Funded Debt" means all Indebtedness of Originator and the Restricted Subsidiaries, excluding all Contingent Obligations of Originator and the Restricted Subsidiaries under or in connection with Letters of Credit outstanding from time to time.

"GAAP" means generally accepted accounting principles set forth from time to time in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board (or agencies with similar functions of comparable stature and authority within the U.S. accounting profession), which are applicable to the circumstances as of the date of determination.

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

"Governmental Authority" means any nation or government, any state or other political subdivision thereof, any central bank (or similar monetary or regulatory authority) thereof, any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, and any corporation or other entity owned or controlled, through stock or capital ownership or otherwise, by any of the foregoing.

"Growth-Related Capital Expenditures" means, with respect to any Person, all capital expenditures by such Person made to improve or enhance the existing capital assets or to increase the customer base of such Person or to acquire or construct new capital assets (but excluding capital expenditures

made to maintain, up to the level thereof that existed at the time of such expenditure, the operating capacity of the capital assets of such Person as such assets existed at the time of such expenditure).

"Guarantor" has the meaning specified in the Credit Agreement.

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

"Hedging Obligations" means, with respect to any Person, the obligations of such Person under (a) interest rate swap agreements, interest rate cap agreements and interest rate collar agreements and (b) other agreements or arrangements designed to protect such Person against fluctuations in interest rates.

"Indebtedness" of any Person means, without duplication: (a) all indebtedness for borrowed money; (b) all obligations issued, undertaken or assumed as the deferred purchase price of property or services (other than trade payables entered into in the ordinary course of business on ordinary terms); (c) all non-contingent reimbursement or payment obligations with respect to Surety Instruments; (d) all obligations evidenced by notes, bonds, debentures or similar instruments, including obligations so evidenced incurred in connection with the acquisition of property, assets or businesses; (e) all indebtedness created or arising under any conditional sale or other title retention agreement, or incurred as financing, in either case with respect to property acquired by the Person (even though the rights and remedies of the seller or bank under such agreement in the event of default are limited to repossession or sale of such property); (f) all Capital Lease Obligations; (g) all Hedging Obligations; (h) all obligations in respect of Accounts Receivable Securitizations (as defined in the Credit Agreement); (i) all indebtedness referred to in clauses (a) through (h) above secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Adverse Claim upon or in property (including accounts and contracts rights) owned by such Person, even though such Person has not assumed or become liable for the payment of such Indebtedness; and (j) all Guaranty Obligations in respect of indebtedness or obligations of others of the kinds referred to in clauses (a) through (i) above; provided, however, that "Indebtedness" shall not include Synthetic Lease Obligations.

"Indemnified Amounts" has the meaning specified in Section 8.1
"Indemnified Party" has the meaning specified in Section 8.1.

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

"Initial Computation Date" means the close of business on September 25, 2000.

"Insolvency Proceeding" means (a) any case, action or proceeding before any court or other Governmental Authority relating to bankruptcy, reorganization, insolvency, liquidation, receivership, dissolution, winding-up or relief of debtors, or (b) any general assignment for the benefit of creditors, composition, marshalling of assets for creditors, or other similar arrangement in respect of a Person's creditors generally or any substantial portion of a Person's creditors; undertaken under U.S. Federal, state or foreign law, including the Bankruptcy Code.

"Interest Coverage Ratio" means with respect to Originator and the Restricted Subsidiaries for any period, the ratio of Consolidated Cash for such period to Consolidated Interest Expense for such period. In the event that Originator or any of the Restricted Subsidiaries (a) incurs, assumes or guarantees any Indebtedness or Synthetic Lease Obligations (other than revolving credit borrowings including, with respect to the Originator, the Loans) or (b) redeems or repays any Indebtedness or Synthetic Lease Obligations (other than revolving credit borrowings that are properly classified as a current liability under GAAP including, with respect to the Originator, the Loans, to the extent such Loans are so classified and excluding, regardless of classification, any Loans or other Indebtedness or Synthetic Lease Obligations the proceeds of which are used for Acquisitions or Growth Related Capital Expenditures), in any case subsequent to the commencement of the period for which the Interest Coverage Ratio is being calculated, but prior to the date on which the calculation of the Interest Coverage Ratio is made (the "Interest Coverage Ratio Calculation Date"), then the Interest Coverage Ratio shall be calculated giving pro forma effect to such incurrence, assumption, guarantee, redemption or repayment of Indebtedness or Synthetic Lease Obligations, as if the same had occurred at the beginning of the applicable reference period. The foregoing calculation of the Interest Coverage Ratio shall also give pro forma effect to Acquisitions (including all mergers and consolidations), Asset Sales and other dispositions and discontinuances of businesses or assets that have been made by Originator or any of the Restricted Subsidiaries during the reference period or subsequent to such reference period and on or prior to the Interest Coverage Ratio Calculation Date assuming that all such Acquisitions, Asset Sales and other dispositions and discontinuances of businesses or assets had occurred on the first day of the reference period; provided, however, that with respect to Originator and the Restricted Subsidiaries, (a) Consolidated Interest Expense shall be reduced by amounts attributable to businesses or assets that are so disposed of or discontinued only to the extent that the Indebtedness or Synthetic Lease Obligations giving rise to such Consolidated Interest Expense would no longer be Indebtedness or Synthetic Lease Obligations contributing to the Consolidated Interest Expense of Originator or the Restricted Subsidiaries subsequent to the Interest Coverage Ratio Calculation Date and (b) Consolidated Cash Flow generated by an acquired business or asset of Originator and the Restricted Subsidiaries shall be determined by the actual gross profit (revenues minus costs of goods sold) of such acquired business or asset during the immediately preceding number of full fiscal quarters as in the reference period minus the pro forma expenses that would have been incurred by Originator and the Restricted Subsidiaries in the operation of such acquired business or asset during such period computed on the basis of (i) personnel expenses for employees retained by Originator and the Restricted Subsidiaries in the operation of the

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

"Letter of Credit" has the meaning provided in the Credit Agreement.

"Leverage Ratio" means, with respect to Originator and the Restricted Subsidiaries for any period, the ratio of Funded Debt plus Synthetic Lease Obligations, in each case of Originator and the Restricted Subsidiaries as of the last day of such period, to Consolidated Cash Flow for such period. In the event that Originator or any of the Restricted Subsidiaries (a) incurs, assumes or guarantees any Indebtedness or Synthetic Lease Obligations (other than revolving credit borrowings including, with respect to the Originator, the Loans) or (b) redeems or repays any Indebtedness or Synthetic Lease Obligations (other than revolving credit borrowings that are properly classified as a current liability under GAAP including, with respect to the Originator, the Loans to the extent such Loans are so classified and excluding, regardless of classification, any Loans or other Indebtedness or Synthetic Lease Obligations the proceeds of which are used for Acquisitions or Growth Related Capital Expenditures), in any case subsequent to the commencement of the period for which the Leverage Ratio is being calculated but prior to the date on which the calculation of the Leverage Ratio is made (the "Leverage Ratio Calculation Date"), then the Leverage Ratio shall be calculated giving pro forma effect to such incurrence, assumption, guarantee, redemption or repayment of Indebtedness or Synthetic Lease Obligations, as if the same had occurred at the beginning of the applicable reference period. The foregoing calculation of the Leverage Ratio shall also give pro forma effect to Acquisitions (including all mergers and consolidations), Asset Sales and other dispositions and discontinuances of businesses or assets that have been made by Originator or any of the Restricted Subsidiaries during the reference period or subsequent to such reference period and on or prior to the Leverage Ratio Calculation Date assuming that all such Acquisitions, Asset Sales and other dispositions and discontinuances of businesses or assets had occurred on the first day of the reference period; provided, however, that with respect to Originator and the Restricted Subsidiaries, (a) Funded Debt and Synthetic Lease Obligations shall be reduced by amounts attributable to businesses or assets that are so disposed of or discontinued only to the extent that the Indebtedness or Synthetic Leases included within such Funded Debt and Synthetic Lease Obligations would no longer be an obligation of Originator or the Restricted Subsidiaries subsequent to the Leverage Ratio Calculation Date and (b) Consolidated Cash Flow generated by an acquired business or asset of Originator or the Restricted Subsidiaries shall be determined by the actual gross profit (revenues minus costs of goods sold) of such acquired business or asset during the immediately preceding number of full fiscal quarters as in the reference period minus the pro forma expenses that would have been incurred by Originator and the Restricted Subsidiaries in the operation of such acquired business or asset during such period computed on the basis of (i) personnel expenses for employees retained by Originator and the Restricted Subsidiaries in the operation of the acquired business or asset and (ii) non-personnel costs and expenses incurred by Originator and the Restricted Subsidiaries on a per gallon basis in the operation of the Originator's business at similarly situated facilities of the Originator.

"Loan" has the meaning provided in the Credit Agreement.

"Material Adverse Effect" means (i) a material adverse change in, or a material adverse effect upon, the operations, business, properties, condition (financial or otherwise) or prospects of Originator; (ii) a material impairment of the ability of Originator or any Subsidiary to perform under any Transaction Document to which it is a party; (iii) a material adverse effect upon the legality, validity, binding effect or enforceability against Originator or any Subsidiary of any Transaction Document to which it is a party; (iv) a material adverse effect upon Originator's, Buyer's, the Agent's or any Purchaser's interest in the Pool Receivables generally or in any significant portion of the Pool Receivables, or (v) a material adverse effect upon the collectibility of the Pool Receivables generally or of any material portion of the Pool Receivables.

"Minimum Receivables Percentage" means, on any date of determination through and including the Termination Date, a variable undivided interest in and to the Pool Receivables and the associated Collections and all proceeds of the foregoing, which interest is equal to the percentage equal to a fraction, the numerator of which is equal to the Adjusted Pool Amount as of such date of determination, and the denominator of which is the aggregate Outstanding Balance of all Pool Receivables as of the close of business on the Business Day immediately preceding the date of determination.

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

"Net Income" means, with respect to Originator and the Restricted Subsidiaries, the net income (loss) of such Persons, determined in accordance with GAAP and before any reduction in respect of preferred stock dividends, excluding, however, (a) any gain (but not loss), together with any related provision for taxes on such gain (but not loss), realized in connection with (i) any asset sale (including, without limitation, dispositions pursuant to sale and leaseback transactions), or (ii) the disposition of any securities or the extinguishment of any Indebtedness of Originator or any of the Restricted Subsidiaries, and (b) any extraordinary gain (but not loss), together with any related provision for taxes on such extraordinary gain (but not loss); provided, however, that all costs and expenses with respect to the redemption of the 10% Series A Fixed Rate Senior Notes due 2001 that were issued by Originator and Ferrellgas Finance Corp. pursuant to that certain Indenture dated as of July 5, 1994 among the Originator, Ferrellgas Finance Corp. and Norwest Bank Minnesota, National Association, including, without limitation, cash premiums, tender offer premiums, consent payments and all fees and expenses in connection therewith, shall be added back to the Net Income of the Originator, the General Partner or the Restricted Subsidiaries to the extent that they were deducted from such Net

Income in accordance with GAAP.

"Non-Recourse Subsidiary" has the meaning specified in the Credit Agreement.

"Obligor" means a Person obligated to make payments pursuant to a Contract.

"Organization Documents" means, (a) for any corporation, the certificate or articles of incorporation, the bylaws, any certificate of determination or instrument relating to the rights of preferred shareholders of such corporation, any shareholder rights agreement, and all applicable resolutions of the board of directors (or any committee thereof) of such corporation, (b) for any general or limited partnership, the partnership agreement of such partnership and all amendments thereto and any agreements otherwise relating to the rights of the partners thereof, and (c) for any limited liability company, the limited liability, operating or similar agreement and all amendments thereto and any agreements otherwise relating to the rights of the members thereof.

"Originator" has the meaning set forth in the preamble to the Agreement.

"Originator's Account" has the meaning set forth in Section 1.3(a).

"Originator's Percentage" means, on any date of determination, 100% minus the Buyer's Percentage on such date.

"Outstanding Balance" of any Pool Receivable at any time means the then outstanding principal balance thereof.

"Partnership Agreement" shall mean the Second Amended and Restated Agreement of Limited Partnership of Originator dated October 14, 1998, as amended from time to time in accordance with the terms of this Agreement.

"PBGC" means the Pension Benefit Guaranty Corporation, or any Governmental Authority succeeding to any of its principal functions under ERISA.

"Pension Plan" means a pension plan (as defined in Section 3(2) of ERISA) subject to Title IV of ERISA which Originator or the General Partner sponsors, maintains, or to which it makes, is making, or is obligated to make contributions, or in the case of a multiple employer plan (as described in Section 4064(a) of ERISA) has made contributions at any time during the immediately preceding five (5) plan years.

"Person" means an individual, partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association, joint venture or Governmental Authority.

"Plan" means an employee benefit plan (as defined in Section 3(3) of ERISA) which Originator sponsors or maintains or to which Originator or the General Partner makes, is making, or is obligated to make contributions and includes any Pension Plan.

"Pool Receivables" means, collectively, all Eligible Receivables existing on the Initial Computation Date and all Eligible Receivables arising after the Initial Computation Date through and including the Termination Date, and "Pool Receivable" means any such Eligible Receivable individually. For the avoidance of doubt, a Receivable shall cease to be a Pool Receivable if on any day prior to the Termination Date, such Receivable ceases to be an Eligible Receivable, but shall continue to be a Pool Receivable if it ceases to be an Eligible Receivable on or after the Termination Date.

"Potential Termination Event" means an event which, with the passage of time or the giving of notice, or both, would constitute a Termination Event.

"Prime Rate" means a rate per annum equal to the prime rate of interest announced from time to time by Bank One, NA or its Originator (which is not necessarily the lowest rate charged to any customer), changing when and as said prime rate changes

"Purchase" means the purchase pursuant to Section 1.2(a) of the Agreement by Buyer from Originator of the Receivable Interest, together with all related rights in connection therewith.

"Purchase Agreement" has the meaning set forth in the Preliminary Statements to the Agreement.

"Purchase Price" means, on any date of determination, the aggregate price to be paid by Buyer to Originator for the Receivable Interest, which price shall equal (a) the product of (i) the Variable Purchased Percentage on such date, multiplied by (ii) the Outstanding Balance of the Pool Receivables as of the close of business on the Business Day preceding the date of determination, multiplied by (iii) one minus the Discount Factor in effect on such date.

"Receivable" means each account receivable owed to Originator (at the time it arises, and before giving effect to any transfer or conveyance under the Agreement), arising in connection with the sale of propane or provision of related services by Originator, including, without limitation, the obligation to pay any Finance Charges with respect thereto. Accounts receivable arising from any one transaction, including, without limitation, accounts receivable represented by a single invoice, shall constitute a Receivable separate from a Receivable consisting of the accounts arising from any other transaction; provided, further, that any account receivable referred to in the immediately preceding sentence shall be a Receivable regardless or whether the account debtor or Originator treats such obligation as a separate payment obligation.

"Receivable Interest" means a specified dollar amount of Pool Receivables which equates to a variable undivided percentage interest (equal to the Variable Purchased Percentage) in and to the Pool Receivables, the associated Related Security and Collections and all proceeds of the foregoing.

"Records" means, with respect to any Pool Receivable, (i) any and all customer information regarding payment history of the applicable Obligor, propane gallons delivered to the applicable Obligor, timing of propane gallons delivered to the applicable Obligor, payment terms and prices charged to the applicable Obligor, and (ii) any and all invoices evidencing all or any portion of the amount owing under such Pool Receivable, whether each of the foregoing is in paper or electronic form.

"Related Party" means (a) the spouse or any lineal descendant of James E. Ferrell, (b) any trust for his benefit or for the benefit of his spouse or any such lineal descendants, (c) any corporation, partnership or other entity in which James E. Ferrell and/or such other Persons referred to in the foregoing clauses (a) and (b) are the direct record and beneficial owners of all of the voting and nonvoting Equity Interests, (d) the FCI ESOT or (e) any participant in the FCI ESOT whose ESOT account has been allocated shares of Ferrell Companies, Inc.

"Related Security" means, with respect to any Pool Receivable:

(i) all Records related to such Pool Receivable, and

(ii) all proceeds of such Pool Receivable or Records.

"Reportable Event" means any of the events set forth in Section 4043(b) of ERISA or the regulations thereunder, other than any such event for which the 30-day notice requirement under ERISA has been waived in regulations issued by the PBGC.

"Requirement of Law" means, as to any Person, any law (statutory or common), treaty, rule or regulation or determination of an arbitrator or of a Governmental Authority, in each case applicable to or binding upon the Person or any of its property or to which the Person or any of its property is subject.

"Responsible Officer" means the chief executive officer, the president, the chief financial officer or the treasurer of the General Partner or any other officer having substantially the same authority and responsibility to act for the General Partner on behalf of Originator.

"Restricted Subsidiary" has the meaning provided in the Credit Agreement.

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

"Servicer" has the meaning specified in Section 6.1.

"Servicer's Concentration Account" means account no. 4496823683 in the name of the Servicer at Wells Fargo Bank in Dallas, Texas, ABA No. 121000248.

"Servicing Fee" has the meaning set forth in Section 6.3.

"Settlement Date" has the meaning set forth in the Purchase Agreement.

"Subordinated Loan" means a loan from Originator to Buyer of a portion of the Purchase Price that is evidenced by and payable as provided in the Subordinated Note.

"Subordinated Note" means a subordinated promissory note of the Buyer payable to the order of the Originator in substantially the form of Exhibit V hereto, which promissory note shall evidence that portion of the Purchase Price owing by the Buyer to the Originator at any time in respect of the Receivable Interest owned by the Buyer at such time.

"Subsidiary" means, with respect to any Person, any corporation, limited liability company, partnership, association or other business entity of which more than 50% of the total voting power of shares of Capital Interests entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof (or, in the case of a limited partnership, more than 50% of either the general partners' Capital Interests or the limited partners' Capital Interests) is at the time owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof. Unless otherwise indicated in this Agreement, "Subsidiary" shall mean a Subsidiary of the Originator. Notwithstanding the foregoing, any Subsidiary of Originator that is designated a "Non-Recourse Subsidiary" pursuant to the definition thereof in this Agreement shall, for so long as all of the statements in the definition thereof remain true, not be deemed a Subsidiary of the Originator.

"Surety Instruments" means all letters of credit (including standby and commercial), bankers' acceptances, bank guaranties, shipside bonds, surety bonds and similar instruments.

"Synthetic Lease" means each arrangement, however described, under which the obligor accounts for its interest in the property covered thereby under GAAP as lessee of a lease which is not a capital lease under GAAP and accounts for its interest in the property covered thereby for Federal income tax purposes as the owner.

"Synthetic Lease Documents" means, collectively, (i) that certain Lease Intended as Security dated as of December 1, 1999 between Ferrellgas, LP, as lessee, and First Security Bank, National Association, in its capacity as Certificate Trustee, a lessor, (ii) that certain Participation Agreement (Ferrellgas, LP Trust No. 1999-A), dated as of December 1, 1999, among

Ferrellgas, LP, as lessee; Ferrellgas, Inc., as general partner, First Security Bank, National Association, as certificate trustee; First Security Trust Company of Nevada, as agent; and various certificate purchasers and lenders named therein, together with all exhibits, schedules and appendices thereto, and (iii) each of the "Operative Documents" and "Loan Documents" as defined in the participation agreement described in clause (ii) above.

"Synthetic Lease Interest Component" means, with respect to any Person for any period, the portion of rent paid or payable (without duplication) for such period under Synthetic Leases of such Person that would be treated as interest in accordance with Financial Accounting Standards Board Statement No. 13 if such Synthetic Leases were treated as capital leases under GAAP.

"Synthetic Lease Obligation" means, as to any Person with respect to any Synthetic Lease at any time of determination, the amount of the liability of such Person in respect of such Synthetic Lease that would (if such lease was required to be classified and accounted for as a capital lease on a balance sheet of such Person in accordance with GAAP) be required to be capitalized on the balance sheet of such Person at such time.

"Synthetic Lease Principal Component" means, with respect to any Person for any period, the portion of rent (exclusive of the Synthetic Lease Interest Component) paid or payable (without duplication) for such period under Synthetic Leases of such Person that was deducted in calculating Consolidated Net Income of such Person for such period.

"Termination Date" means the earliest to occur of (i) the Facility Termination Date under and as defined in the Purchase Agreement, (ii) the Business Day immediately prior to the occurrence of a Termination Event set forth in Section 7.1(f) or (g) with respect to Originator, (iii) the Business Day specified in a written notice from Buyer (or the Agent, as Buyer's assignee) to Originator following the occurrence of any other Termination Event, and (iv) the date which is 30 Business Days after receipt by the Agent (as Buyer's assignee) of written notice from Originator that it wishes to terminate the facility evidenced by this Agreement.

"Termination Event" has the meaning set forth in Section 7.1 of the Agreement.

"Transaction Documents" means, collectively, this Agreement, the Purchase Agreement, and all other instruments, documents and agreements executed and delivered by Originator in connection herewith or therewith.

"UCC" means the Uniform Commercial Code as from time to time in effect in the specified jurisdiction.

"Unfunded Pension Liability" means the excess of a Plan's benefit liabilities under Section 4001(a)(16) of ERISA, over the current value of that Plan's assets, determined in accordance with the assumptions used for funding the Pension Plan pursuant to Section 412 of the Code for the applicable plan year.

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

"Variable Contributed Percentage" means, on any date of determination through and including the Termination Date, a variable undivided interest in and to the Pool Receivables and the associated Related Security and Collections and all proceeds of the foregoing, which interest is equal to the percentage of the aggregate Outstanding Balance of all Pool Receivables as of the close of business on the Business Day immediately preceding the date of determination which has been transferred by the Originator to the Buyer in the form of an equity capital contribution.

"Variable Purchased Percentage" means, on any date of determination through and including the Termination Date, the Minimum Receivables Percentage on such date minus the Variable Contributed Percentage on such date; provided that, (a) from and after the Termination Date until the Aggregate Unpaids have been indefeasibly paid in full, the Variable Purchased Percentage shall be equal to the Variable Purchased Percentage determined as of the date immediately preceding the Termination Date, (b) from and after the date on which the Aggregate Unpaids have been indefeasibly paid in full, the Variable Purchased Percentage shall be zero, and (c) at no time shall the Variable Purchased Percentage exceed 100%.

"Wholly-Owned Subsidiary" means a Subsidiary of which all of the outstanding Capital Interests or other ownership interests (other than directors' qualifying shares) or, in the case of a limited partnership, all of the partners' Capital Interests (other than up to a 1% general partner interest), is owned, beneficially and of record, by the Originator, a Wholly-Owned Subsidiary of Originator or both.

All accounting terms not specifically defined herein shall be construed in accordance with GAAP. All terms used in Article 9 of the UCC in the State of New York, and not specifically defined herein, are used herein as defined in such Article 9.

Exhibit II

Principal Place of Business and Chief Executive Office; Locations of Records;
Federal Employer Identification Number; Other Names

Chief Executive Office and Principal Place of Business:

One Liberty Plaza
Liberty, Missouri 64068

Location of Records:

.....Same as above

Federal Employer Identification Number:

.....43-1698481

Partnership, Trade and Assumed Names:

Names currently used:.....	Ferrellgas, L.P.
.....	Thermogas
.....	Elk Grove Gas & Oil, Inc.
.....	Foothill Propane, Inc.
.....	Puget Propane
Name previously used:.....A-One Propane	
.....	Folgers Gas
.....	Gas Plus, Inc.
.....	Pacific Propane, Inc.
.....	Propane Service Center
.....	Seacrist Fuels
.....	Tynes Gas & Appliance

Exhibit III

Form of Compliance Certificate

This Compliance Certificate is furnished pursuant to that certain Receivable Interest Sale Agreement dated as of September 26, 2000, between Ferrellgas, L.P. ("Originator") and Ferrellgas Receivables, LLC (the "Agreement"). Capitalized terms used and not otherwise defined herein are used with the meanings attributed thereto in the Agreement.

THE UNDERSIGNED HEREBY CERTIFIES THAT:

1. I am the duly elected _____ of Originator.

2. I have reviewed the terms of the Agreement and I have made, or have caused to be made under my supervision, a detailed review of the transactions and conditions of Originator and its Subsidiaries during the accounting period covered by the attached financial statements.

3. The examinations described in paragraph 2 did not disclose, and I have no knowledge of, the existence of any condition or event which constitutes a Termination Event or a Potential Termination Event, as each such term is defined under the Agreement, during or at the end of the accounting period covered by the attached financial statements or as of the date of this Certificate, except as set forth below.

4. Described below are the exceptions, if any, to paragraph 3 by listing, in detail, the nature of the condition or event, the period during which it has existed and the action which Originator has taken, is taking, or proposes to take with respect to each such condition or event:

The foregoing certifications, together with the computations set forth in Schedule I hereto and the financial statements delivered with this Certificate in support hereof, are made and delivered this ____ day of _____, 20__.

[Name]

Exhibit IV

Credit and Collection Policy

[attached]

Exhibit V

[Form of] Subordinated Note

SUBORDINATED NOTE

1. Note. FOR VALUE RECEIVED, the undersigned, Ferrellgas Receivables, LLC, a Delaware limited liability company ("Buyer"), hereby unconditionally promises to pay to the order of Ferrellgas, L.P., a Delaware limited partnership ("Seller"), in lawful money of the United States of America and in immediately available funds, on or before the date following the Termination Date which is one year and one day after the date on which (i) the Receivables Interest (as defined in the Receivables Interest Sale Agreement hereinafter described) has been reduced to zero and (ii) all indemnities, adjustments and other amounts which may be owed thereunder in connection with the Receivable Interest (as defined in the Receivables Interest Sale Agreement hereinafter described) have been paid (the "Collection Date"), the aggregate unpaid principal sum outstanding of all Subordinated Loans (as defined in the Receivables Interest Sale Agreement hereinafter described) made from time to time by Seller to Buyer pursuant to and in accordance with the terms of that certain Receivables Interest Sale Agreement dated as of September 26, 2000, between Seller and Buyer (as amended, restated, supplemented or otherwise modified from time to time, the "Receivables Interest Sale Agreement"). Reference to Section 1.3 of the Receivables Interest Sale Agreement is hereby made for a statement of the terms and conditions under which the loans evidenced hereby have been and will be made. Capitalized terms used and not otherwise defined herein shall have the meanings ascribed to such terms in the Receivables Interest Sale Agreement.

2. Interest. Buyer further promises to pay interest on the outstanding unpaid principal amount hereof from the date hereof until payment in full hereof at a rate equal to the one month LIBOR rate published on the first business day of each month on or after September 1, 2000 in The Wall Street Journal ("LIBOR"), changing on the first business day of each month; provided, however, that if Buyer shall default in the payment of any principal hereof, Buyer promises to pay, on demand, interest at a rate per annum equal to the sum of LIBOR plus 2.00% per annum on any such unpaid amounts, from the date such payment is due to the date of actual payment. Interest shall be payable on the first Business Day of each month in arrears; provided, however, that Buyer may elect on the date any interest payment is due hereunder to defer such payment and upon such election the amount of interest due but unpaid on such date shall constitute principal under this Subordinated Note. The outstanding principal of any loan made under this Subordinated Note shall be due and payable on the Collection Date and may be repaid or prepaid at any time without premium or penalty.

3. Principal Payments. Seller is authorized and directed by Buyer to enter on the grid attached hereto, or, at its option, in its books and records, the date and amount of each loan made by it which is evidenced by this Subordinated Note and the amount of each payment of principal made by Buyer, and absent manifest error, such entries shall constitute prima facie evidence of the accuracy of the information so entered; provided that neither the failure of Seller to make any such entry or any error therein shall expand, limit or affect the obligations of Buyer hereunder.

4. Subordination. Seller shall have the right to receive, and Buyer shall have the right to make, any and all payments and prepayments relating to the loans made under this Subordinated Note; provided that after giving effect to any such payment or prepayment, the Receivable Interest plus the Contributed Interest equals or exceeds the Minimum Receivables Percentage. Seller hereby agrees that at any time during which the conditions set forth in the proviso of the immediately preceding sentence shall not be satisfied, Seller shall be subordinate in right of payment to the prior payment of any indebtedness or obligation of Buyer owing to the Agent or any Purchaser (each, as defined below) under that certain Receivables Purchase Agreement, dated as of September 26, 2000, by and among Buyer, Seller, as Servicer, various "Purchasers" from time to time party thereto, and Bank One, NA (Main Office Chicago), as the "Agent" (as amended, restated, supplemented or otherwise modified from time to time, the "Receivables Purchase Agreement"). The subordination provisions contained herein are for the direct benefit of, and may be enforced by, the Agent and the Purchasers and/or any of their respective assignees (collectively, the "Senior Claimants") under the Receivables Purchase Agreement. Until the date on which the "Aggregate Capital" outstanding under the Receivables Purchase Agreement has been repaid in full and all obligations of Buyer and/or the Servicer thereunder and under the "Fee Letter" referenced therein (all such obligations, collectively, the "Senior Claim") have been indefeasibly paid and satisfied in full, Seller shall not institute against Buyer any proceeding of the type described in Section 7.1(f) or (g) of the Receivables Interest Sale Agreement unless and until the Collection Date has occurred. Should any payment, distribution or security or proceeds thereof be received by Seller in violation of this Section 4, Seller agrees that such payment shall be segregated, received and held in trust for the benefit of, and deemed to be the property of, and shall be immediately paid over and delivered to the Agent for the benefit of the Senior Claimants.

5. Bankruptcy; Insolvency. Upon the occurrence of any proceeding of the type described in Section 7.1(f) or (g) of the Receivables Interest Sale Agreement involving Buyer as debtor, then and in any such event the Senior Claimants shall receive payment in full of all amounts due or to become due on or in respect of the Aggregate Capital and the Senior Claim (including "CP Costs" and "Yield" as defined and as accruing under the Receivables Purchase Agreement after the commencement of any such proceeding, whether or not any or all of such CP Costs or Yield is an allowable claim in any

such proceeding) before Seller is entitled to receive payment on account of this Subordinated Note, and to that end, any payment or distribution of assets of Buyer of any kind or character, whether in cash, securities or other property, in any applicable insolvency proceeding, which would otherwise be payable to or deliverable upon or with respect to any or all indebtedness under this Subordinated Note, is hereby assigned to and shall be paid or delivered by the Person making such payment or delivery (whether a trustee in bankruptcy, a receiver, custodian or liquidating trustee or otherwise) directly to the Agent for application to, or as collateral for the payment of, the Senior Claim until such Senior Claim shall have been paid in full and satisfied.

6. Amendments. The terms of this Subordinated Note may not be amended or otherwise modified without the prior written consent of the Agent for the benefit of the Purchasers.

7. GOVERNING LAW. THIS SUBORDINATED NOTE HAS BEEN MADE AND DELIVERED AT HOUSTON, TEXAS, AND SHALL BE INTERPRETED AND THE RIGHTS AND LIABILITIES OF THE PARTIES HERETO DETERMINED IN ACCORDANCE WITH THE LAWS AND DECISIONS OF THE STATE OF TEXAS. WHEREVER POSSIBLE EACH PROVISION OF THIS SUBORDINATED NOTE SHALL BE INTERPRETED IN SUCH MANNER AS TO BE EFFECTIVE AND VALID UNDER APPLICABLE LAW, BUT IF ANY PROVISION OF THIS SUBORDINATED NOTE SHALL BE PROHIBITED BY OR INVALID UNDER APPLICABLE LAW, SUCH PROVISION SHALL BE INEFFECTIVE TO THE EXTENT OF SUCH PROHIBITION OR INVALIDITY, WITHOUT INVALIDATING THE REMAINDER OF SUCH PROVISION OR THE REMAINING PROVISIONS OF THIS SUBORDINATED NOTE.

8. Waivers. All parties hereto, whether as makers, endorsers, or otherwise, severally waive presentment for payment, demand, protest and notice of dishonor. Seller additionally expressly waives all notice of the acceptance by any Senior Claimant of the subordination and other provisions of this Subordinated Note and expressly waives reliance by any Senior Claimant upon the subordination and other provisions herein provided.

9. Assignment. This Subordinated Note may not be assigned, pledged or otherwise transferred to any party without the prior written consent of the Agent, and any such attempted transfer shall be void.

FERRELLGAS RECEIVABLES, LLC

By:_____
Name: Kevin T. Kelly
Title:Chief Financial Officer

Schedule to Subordinated Note

SUBORDINATED LOANS AND PAYMENTS OF PRINCIPAL

Date	Amount of Subordinated Loan	Amount of Principal Paid	Unpaid Principal Balance	Notation Made by

Schedule A

DOCUMENTS TO BE DELIVERED TO BUYER
ON OR PRIOR TO THE PURCHASE

1. Executed copies of the Receivable Interest Sale Agreement, duly executed by the parties thereto.

2. Certificate of Originator's [Assistant] Secretary certifying the incumbency and signatures of its officers who are authorized to execute the Transaction Documents to which it is a party and attaching each of the following:

(b) Copy of the Resolutions of the Board of Directors of the General Partner certified by its Secretary, authorizing Originator's execution, delivery and performance of the Receivable Interest Sale Agreement and the other documents to be delivered by it thereunder.

(c) Certificate of Limited Partnership of Originator certified by the Secretary of State of Delaware on or within thirty (30) days prior to the initial Purchase (as defined in the Receivable Interest Sale Agreement).

(d) Good Standing Certificates for Originator and the General Partner issued by the Secretaries of State of its state of organization and each jurisdiction where it has material operations, each of which is listed below:

i. Delaware
ii. Missouri

(e) A copy of Originator's Partnership Agreement.

3. Pre-filing state and federal tax lien, judgment lien and UCC lien searches against Originator from the following jurisdictions:

a. Delaware SOS
b. Missouri SOS
c. Clay County, MO

4. Duly executed financing statements, in form suitable for filing under the UCC, in all jurisdictions as may be necessary or, in the opinion of Buyer (or its assigns), desirable, under the UCC of all appropriate jurisdictions or any comparable law in order to perfect the ownership interests contemplated by the Receivable Interest Sale Agreement.

5. Time stamped receipt copies of proper UCC termination statements, if any, necessary to release all security interests and other rights of any Person in the Pool Receivables, Contracts or Related Security previously granted by Originator.

6. A favorable opinion of legal counsel for Originator reasonably acceptable to Buyer (or its assigns) which addresses the following matters and such other matters as Buyer (or its assigns) may reasonably request:

--Each of Originator and its General Partner is duly organized, validly existing, and in good standing under the laws of its state of organization.

--Each of Originator and its General Partner has all requisite authority to conduct its business in each jurisdiction where failure to be so qualified would have a material adverse effect on its business.

--The execution and delivery by Originator of the Receivable Interest Sale Agreement and each other Transaction Document to which it is a party and its performance of its obligations thereunder have been duly authorized by all necessary action and proceedings on the part of Originator and the General Partner and will not:

(a) require any action by or in respect of, or filing with, any governmental body, agency or official (other than the filing of UCC financing statements);

(b) contravene, or constitute a default under, any provision of applicable law or regulation or of its Organization Documents or of any material agreement, judgment, injunction, order, decree or other instrument binding upon Originator, the MLP or the General Partner [to include the Credit Agreement, both Note Purchase Agreements and the Indenture]; or

(c) result in the creation or imposition of any Adverse Claim on assets of the General Partner, Originator or any of their respective Subsidiaries (except as contemplated by the Receivable Interest Sale Agreement and the Purchase Agreement).

--The Receivable Interest Sale Agreement and each other Transaction Document to which it is a party has been duly executed and delivered by Originator and constitutes the legal, valid, and binding obligation of Originator enforceable in accordance with its terms, except to the extent the enforcement thereof may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally and subject also to the availability of equitable remedies if equitable remedies are sought.

--The provisions of the Receivable Interest Sale Agreement are effective to create a valid security interest in favor of Buyer in all Pool Receivables and upon the filing of financing statements, Buyer shall acquire a first priority, perfected security interest in such Receivables.

--To the best of the opinion giver's knowledge, there is no action, suit or other proceeding against Originator, General Partner or any Affiliate of Originator or General Partner, which would materially adversely affect the business or financial condition of Originator and its Affiliates taken as a whole or which would materially adversely affect the ability of Originator to perform its obligations under the Transaction Documents to which it is a party.

7. A "true sale/true contribution" opinion and "substantive consolidation" opinion of counsel for Originator with respect to the transactions contemplated by the Receivable Interest Sale Agreement.

8. A Certificate of a Responsible Officer of Originator certifying that no Termination Event or Potential Termination Event exists as of the date of the Purchase or will result therefrom, and that each of the representations and warranties made by Originator in any of the Transaction Documents to which it is a party is true and correct as of such date.

9. Executed copies of (i) all consents from and authorizations by any Persons and (ii) all waivers and amendments to existing credit facilities, that are necessary in connection with the Receivable Interest Sale Agreement.

RECEIVABLES PURCHASE AGREEMENT

DATED AS OF SEPTEMBER 26, 2000

AMONG

FERRELLGAS RECEIVABLES, LLC, AS SELLER,

FERRELLGAS, L.P., AS SERVICER,

JUPITER SECURITIZATION CORPORATION,

THE FINANCIAL INSTITUTIONS FROM TIME TO TIME PARTY HERETO,

AND

BANK ONE, NA (MAIN OFFICE CHICAGO), AS AGENT

RECEIVABLES PURCHASE AGREEMENT

This Receivables Purchase Agreement, dated as of September 26, 2000, is among Ferrellgas Receivables, LLC, a Delaware limited liability company ("Seller"), Ferrellgas, L.P., a Delaware limited partnership ("Ferrellgas"), as initial Servicer (the Servicer together with Seller, the "Seller Parties" and each a "Seller Party"), the entities listed on Schedule A to this Agreement (together with any of their respective successors and assigns hereunder, the "Financial Institutions"), Jupiter Securitization Corporation ("Conduit"), and Bank One, NA (Main Office Chicago), as agent for the Purchasers hereunder or any successor agent hereunder (together with its successors and assigns hereunder, the "Agent"). Unless defined elsewhere herein, capitalized terms used in this Agreement shall have the meanings assigned to such terms in Exhibit I and, if not defined therein, the meanings assigned to such terms in the Receivables Interest Sale Agreement referenced therein.

PRELIMINARY STATEMENTS

Seller desires to transfer and assign Purchaser Interests to the Purchasers from time to time.

Conduit may, in its absolute and sole discretion, purchase Purchaser Interests from Seller from time to time.

In the event that Conduit declines to make any purchase, the Financial Institutions shall, at the request of Seller, purchase Purchaser Interests from time to time. In addition, the Financial Institutions have agreed to provide a liquidity facility to Conduit in accordance with the terms hereof.

Bank One, NA (Main Office Chicago) has been requested and is willing to act as Agent on behalf of Conduit and the Financial Institutions in accordance with the terms hereof.

ARTICLE I.

PURCHASE ARRANGEMENTS

Section 1.1 Purchase Facility.

(a) Upon the terms and subject to the conditions hereof, Seller may, at its option, sell and assign Purchaser Interests to the Agent for the benefit of one or more of the Purchasers. In accordance with the terms and conditions set forth herein, Conduit may, at its option, instruct the Agent to purchase on behalf of Conduit, or if Conduit shall decline to purchase, the Agent shall purchase, on behalf of the Financial Institutions, Purchaser Interests from time to time in an aggregate amount not to exceed at such time the lesser of (i) the Purchase Limit and (ii) the aggregate amount of the Commitments, in either case, during the period from the date hereof to but not including the Facility Termination Date.

(b) Seller may, upon at least 5 Business Days' notice to the Agent, terminate in whole or reduce in part, ratably among the Financial Institutions, the unused portion of the Purchase Limit; provided that each partial reduction of the Purchase Limit shall be in an amount equal to $5,000,000 or an integral multiple thereof.

Section 1.2 Increases. Seller shall provide the Agent with at least two (2) Business Days' prior notice in a form set forth as Exhibit II hereto of each Incremental Purchase (a "Purchase Notice"). Each Purchase Notice shall be subject to Section 6.2 hereof and, except as set forth below, shall be irrevocable and shall specify the requested Purchase Price (which shall not be less than $1,000,000) and date of purchase and, in the case of an Incremental Purchase to be funded by the Financial Institutions, the requested Discount Rate and Tranche Period. Following receipt of a Purchase Notice, the Agent will determine whether Conduit agrees to make the purchase. If Conduit declines to make a proposed purchase, Seller may cancel the Purchase Notice or, in the absence of such a cancellation, the Incremental Purchase of the Purchaser Interest will be made by the Financial Institutions. On the date of each Incremental Purchase, upon satisfaction of the applicable conditions precedent

set forth in Article VI, Conduit or the Financial Institutions, as applicable, shall initiate a wire transfer to the Facility Account, of immediately available funds, no later than 12:00 noon (Chicago time), in an amount equal to (i) in the case of Conduit, the aggregate Purchase Price of the Purchaser Interests Conduit is then purchasing or (ii) in the case of a Financial Institution, such Financial Institution's Pro Rata Share of the aggregate Purchase Price of the Purchaser Interests the Financial Institutions are purchasing.

Section 1.3 Decreases. Seller shall provide the Agent with prior written notice in conformity with the Required Notice Period (a "Reduction Notice") of any proposed reduction of Aggregate Capital from Asset Interest Collections. Such Reduction Notice shall designate (i) the date (the "Proposed Reduction Date") upon which any such reduction of Aggregate Capital shall occur (which date shall give effect to the applicable Required Notice Period), and (ii) the amount of Aggregate Capital to be reduced which shall be applied ratably to the Purchaser Interests of Conduit and the Financial Institutions in accordance with the amount of Capital (if any) owing to Conduit, on the one hand, and the amount of Capital (if any) owing to the Financial Institutions (ratably, based on their respective Pro Rata Shares), on the other hand (the "Aggregate Reduction"). Only one (1) Reduction Notice shall be outstanding at any time.

Section 1.4 Payment Requirements. All amounts to be paid or deposited by any Seller Party pursuant to any provision of this Agreement shall be paid or deposited in accordance with the terms hereof no later than 12:00 noon (Chicago time) on the day when due in immediately available funds, and if not received before 12:00 noon (Chicago time) shall be deemed to be received on the next succeeding Business Day. If such amounts are payable to a Purchaser they shall be paid to the Agent, for the account of such Purchaser, at 1 Bank One Plaza, Chicago, Illinois 60670 until otherwise notified by the Agent. All computations of Yield at the LIBO Rate, per annum fees calculated as part of any CP Costs, per annum fees hereunder and per annum fees under the Fee Letter shall be made on the basis of a year of 360 days for the actual number of days elapsed. All computations of Yield at the Prime Rate shall be made on the basis of a year of 365 (or, when appropriate, 366) days for the actual number of days elapsed. If any amount hereunder shall be payable on a day which is not a Business Day, such amount shall be payable on the next succeeding Business Day.

ARTICLE II.
PAYMENTS AND ASSET INTEREST COLLECTIONS

Section 2.1 Payments. Notwithstanding any limitation on recourse contained in this Agreement, Seller shall immediately pay to the Agent when due, for the account of the relevant Purchaser or Purchasers on a full recourse basis: (i) such fees as are set forth in the Fee Letter (which fees shall be sufficient to pay all fees owing to the Financial Institutions), (ii) all CP Costs, (iii) all amounts payable as Yield, (iv) all amounts payable as Deemed Collections (which shall be immediately due and payable by Seller and applied to reduce outstanding Aggregate Capital hereunder in accordance with Sections 2.2 and 2.3 hereof), (v) all amounts required pursuant to Section 2.6, (vi) all amounts payable pursuant to Article X, if any, (vii) all Servicer costs and expenses, including the Servicing Fee, in connection with servicing, administering and collecting the Pool Receivables, (viii) all Broken Funding Costs and (ix) all Default Fees (collectively, the "Recourse Obligations"). If Seller fails to pay any of the Recourse Obligations when due, Seller agrees to pay, on demand, the Default Fee in respect thereof until paid. Notwithstanding the foregoing, no provision of this Agreement or the Fee Letter shall require the payment or permit the collection of any amounts hereunder in excess of the maximum permitted by applicable law. If at any time Seller receives any Asset Interest Collections or is deemed to receive any Asset Interest Collections, Seller shall immediately pay such Asset Interest Collections or Deemed Collections to the Servicer for application in accordance with the terms and conditions hereof and, at all times prior to such payment, such Asset Interest Collections or Deemed Collections shall be held in trust by Seller for the exclusive benefit of the Purchasers and the Agent.

Section 2.2 Asset Interest Collections Prior to Amortization. Prior to the Amortization Date, any Asset Interest Collections and Deemed Collections received by the Servicer and all Asset Interest Collections received by the Servicer shall be set aside and held in trust by the Servicer for the payment of any accrued and unpaid Aggregate Unpaids or for a Reinvestment as provided in this Section 2.2. If at any time any Asset Interest Collections are received by the Servicer prior to the Amortization Date, (i) the Servicer shall set aside the Termination Percentage (hereinafter defined) of Asset Interest Collections evidenced by the Purchaser Interests of each Terminating Financial Institution and (ii) Seller hereby requests and the Purchasers (other than any Terminating Financial Institutions) hereby agree to make, simultaneously with such receipt, a reinvestment (each, a "Reinvestment") with that portion of the balance of each and every Asset Interest Collection received by the Servicer that is part of any Purchaser Interest (other than any Purchaser Interests of Terminating Financial Institutions), such that after giving effect to such Reinvestment, the amount of Capital of such Purchaser Interest immediately after such receipt and corresponding Reinvestment shall be equal to the amount of Capital immediately prior to such receipt. On each Settlement Date prior to the occurrence of the Amortization Date, the Servicer shall remit to the Agent's account the amounts set aside during the preceding Settlement Period that have not been subject to a Reinvestment and apply such amounts (if not previously paid in accordance with Section 2.1) first, to reduce unpaid CP Costs, Yield and other Recourse Obligations and second, to reduce the Capital of all Purchaser Interests of Terminating Financial Institutions, applied ratably to each Terminating Financial Institution according to its respective Termination Percentage. If such Capital, CP Costs, Yield and other Recourse Obligations shall be reduced to zero, any additional Asset Interest Collections received by the Servicer (i) if applicable, shall be remitted to the Agent's account no later than 12:00 noon (Chicago time) to the extent required to fund any Aggregate Reduction on such Settlement Date and (ii) any balance remaining thereafter shall be remitted from the Servicer to Seller on such Settlement Date. Each Terminating Financial

Institution shall be allocated a ratable portion of Asset Interest Collections from the date of any assignment by Conduit pursuant to Section 13.6 (the "Termination Date") until such Terminating Financing Institution's Capital shall be paid in full. This ratable portion shall be calculated on the Termination Date of each Terminating Financial Institution as a percentage equal to (i) Capital of such Terminating Financial Institution outstanding on its Termination Date, divided by (ii) the Aggregate Capital outstanding on such Termination Date (the "Termination Percentage"). Each Terminating Financial Institution's Termination Percentage shall remain constant prior to the Amortization Date. On and after the Amortization Date, each Termination Percentage shall be disregarded, and each Terminating Financial Institution's Capital shall be reduced ratably with all Financial Institutions in accordance with Section 2.3.

Section 2.3 Asset Interest Collections Following Amortization. On the Amortization Date and on each day thereafter, Seller shall remain liable on a full-recourse basis to pay the Recourse Obligations pursuant to Section 2.1, and the Servicer shall set aside and hold in trust, for the holder of each Purchaser Interest, all Asset Interest Collections received on such day. On and after the Amortization Date, the Servicer shall, at any time upon the request from time to time by (or pursuant to standing instructions from) the Agent (i) remit to the Agent's account the amounts set aside pursuant to the preceding sentence, and (ii) apply such amounts to reduce the Aggregate Unpaids in accordance with Section 2.4.

Section 2.4 Application of Asset Interest Collections. If there shall be insufficient funds on deposit for the Servicer to distribute funds in payment in full of the aforementioned amounts pursuant to Section 2.2 or 2.3 (as applicable), the Servicer shall distribute funds:

first, to the payment of the Servicer's reasonable out-of-pocket costs and expenses in connection with servicing, administering and collecting the Pool Receivables , including the Servicing Fee, if Seller or one of its Affiliates is not then acting as the Servicer,

second, to the reimbursement of the Agent's costs of collection and enforcement of this Agreement,

third, ratably to the payment of all accrued and unpaid fees under the Fee Letter, CP Costs and Yield,

fourth, (to the extent applicable) to the ratable reduction of the Aggregate Capital (without regard to any Termination Percentage),

fifth, for the ratable payment of all other unpaid Recourse Obligations, provided that to the extent such Recourse Obligations relate to the payment of Servicer costs and expenses, including the Servicing Fee, when Seller or one of its Affiliates is acting as the Servicer, such costs and expenses will not be paid until after the payment in full of all other Recourse Obligations, and

sixth, after the Aggregate Unpaids have been indefeasibly reduced to zero, to Seller.

Asset Interest Collections applied to the payment of Aggregate Unpaids shall be distributed in accordance with the aforementioned provisions, and, giving effect to each of the priorities set forth above in this Section 2.4, shall be shared ratably (within each priority) among the Agent and the Purchasers in accordance with the amount of such Aggregate Unpaids owing to each of them in respect of each such priority.

Section 2.5 Payment Recission. No payment of any of the Aggregate Unpaids shall be considered paid or applied hereunder to the extent that, at any time, all or any portion of such payment or application is rescinded by application of law or judicial authority, or must otherwise be returned or refunded for any reason. Seller shall remain obligated for the amount of any payment or application so rescinded, returned or refunded, and shall promptly pay to the Agent (for application to the Person or Persons who suffered such recission, return or refund) the full amount thereof, plus the Default Fee from the date of any such recission, return or refunding.

Section 2.6 Maximum Purchaser Interests. Seller shall ensure that the Purchaser Interests of the Purchasers shall at no time exceed in the aggregate 100%. If the aggregate of the Purchaser Interests of the Purchasers exceeds 100%, Seller shall pay to the Agent within one (1) Business Day an amount to be applied to reduce the Aggregate Capital (as allocated by the Agent), such that after giving effect to such payment the aggregate of the Purchaser Interests equals or is less than 100%.

Section 2.7 Clean Up Call. In addition to Seller's rights pursuant to Section 1.3, Seller shall have the right (after providing written notice to the Agent in accordance with the Required Notice Period), at any time following the reduction of the Aggregate Capital to a level that is less than 10.0% of the original Purchase Limit, to repurchase from the Purchasers all, but not less than all, of the then outstanding Purchaser Interests. The purchase price in respect thereof shall be an amount equal to the Aggregate Unpaids through the date of such repurchase, payable in immediately available funds. Such repurchase shall be without representation, warranty or recourse of any kind by, on the part of, or against any Purchaser or the Agent, except that the Agent and the Purchasers shall represent and warrant that the Purchasers Interests are free and clear of any Adverse Claim created by any of them.

ARTICLE III.

CONDUIT FUNDING

Section 3.1 CP Costs. Seller shall pay CP Costs with respect to the Capital associated with each Purchaser Interest of Conduit for each day that any Capital

in respect of such Purchaser Interest is outstanding. Each Purchaser Interest funded substantially with Pooled Commercial Paper will accrue CP Costs each day on a pro rata basis, based upon the percentage share the Capital in respect of such Purchaser Interest represents in relation to all assets held by Conduit and funded substantially with related Pooled Commercial Paper.

Section 3.2 CP Costs Payments. On each Settlement Date, Seller shall pay to the Agent (for the benefit of Conduit) an aggregate amount equal to all accrued and unpaid CP Costs in respect of the Capital associated with all Purchaser Interests of Conduit for the immediately preceding Accrual Period in accordance with Article II.

Section 3.3 Calculation of CP Costs. On the 5th Business Day of each calendar month hereafter while Conduit has any outstanding Capital, Conduit shall calculate the aggregate amount of CP Costs allocated to the Capital of its Purchaser Interests for the applicable Accrual Period and shall notify Seller of such aggregate amount.

ARTICLE IV.

FINANCIAL INSTITUTION FUNDING

Section 4.1 Financial Institution Funding. Each Purchaser Interest of the Financial Institutions shall accrue Yield for each day during its Tranche Period at either the LIBO Rate or the Prime Rate in accordance with the terms and conditions hereof. Until Seller gives notice to the Agent of another Discount Rate in accordance with Section 4.4, the initial Discount Rate for any Purchaser Interest transferred to the Financial Institutions by Conduit pursuant to the terms and conditions hereof shall be the Prime Rate. If the Financial Institutions acquire by assignment from Conduit any Purchaser Interest pursuant to Article XIII, each Purchaser Interest so assigned shall each be deemed to have a new Tranche Period commencing on the date of any such assignment.

Section 4.2 Yield Payments. On the Settlement Date for each Purchaser Interest of the Financial Institutions, Seller shall pay to the Agent (for the benefit of the Financial Institutions) an aggregate amount equal to the accrued and unpaid Yield for the entire Tranche Period of each such Purchaser Interest in accordance with Article II.

Section 4.3 Selection and Continuation of Tranche Periods.

(a) With consultation from (and approval by) the Agent, Seller shall from time to time request Tranche Periods for the Purchaser Interests of the Financial Institutions, provided that, if at any time the Financial Institutions shall have a Purchaser Interest, Seller shall always request Tranche Periods such that at least one Tranche Period shall end on the date specified in clause (A) of the definition of Settlement Date.

(b) Seller or the Agent, upon notice to and consent by the other received at least three (3) Business Days prior to the end of a Tranche Period (the "Terminating Tranche") for any Purchaser Interest, may, effective on the last day of the Terminating Tranche: (i) divide any such Purchaser Interest into multiple Purchaser Interests, (ii) combine any such Purchaser Interest with one or more other Purchaser Interests that have a Terminating Tranche ending on the same day as such Terminating Tranche or (iii) combine any such Purchaser Interest with a new Purchaser Interests to be purchased on the day such Terminating Tranche ends, provided, that in no event may a Purchaser Interest of Conduit be combined with a Purchaser Interest of the Financial Institutions.

Section 4.4 Financial Institution Discount Rates. Seller may select the LIBO Rate or the Prime Rate for each Purchaser Interest of the Financial Institutions. Seller shall by 12:00 noon (Chicago time): (i) at least three (3) Business Days prior to the expiration of any Terminating Tranche with respect to which the LIBO Rate is being requested as a new Discount Rate and (ii) at least one (1) Business Day prior to the expiration of any Terminating Tranche with respect to which the Prime Rate is being requested as a new Discount Rate, give the Agent irrevocable notice of the new Discount Rate for the Purchaser Interest associated with such Terminating Tranche. Until Seller gives notice to the Agent of another Discount Rate, the initial Discount Rate for any Purchaser Interest transferred to the Financial Institutions pursuant to the terms and conditions hereof shall be the Prime Rate.

Section 4.5 Suspension of the LIBO Rate

(a) If any Financial Institution notifies the Agent that it has determined that funding its Pro Rata Share of the Purchaser Interests of the Financial Institutions at a LIBO Rate would violate any applicable law, rule, regulation, or directive of any governmental or regulatory authority, whether or not having the force of law, or that (i) deposits of a type and maturity appropriate to match fund its Purchaser Interests at such LIBO Rate are not available or (ii) such LIBO Rate does not accurately reflect the cost of acquiring or maintaining a Purchaser Interest at such LIBO Rate, then the Agent shall suspend the availability of such LIBO Rate and require Seller to select the Prime Rate for any Purchaser Interest accruing Yield at such LIBO Rate.

(b) If less than all of the Financial Institutions give a notice to the Agent pursuant to Section 4.5(a), each Financial Institution which gave such a notice shall be obliged, at the request of Seller, Conduit or the Agent, to assign all of its rights and obligations hereunder to (i) another Financial Institution or (ii) another funding entity nominated by Seller or the Agent that is acceptable to Conduit and willing to participate in this Agreement through the Liquidity Termination Date in the place of such notifying Financial Institution; provided that (i) the notifying Financial Institution receives payment in full, pursuant to an Assignment Agreement, of an amount equal to such notifying Financial Institution's Pro Rata Share of the Capital and Yield owing to all of the Financial Institutions and all accrued but unpaid fees and other costs and expenses payable in respect of its Pro Rata Share of the Purchaser Interests of the Financial Institutions, and (ii) the replacement Financial

Institution otherwise satisfies the requirements of Section 12.1(b).

ARTICLE V.

REPRESENTATIONS AND WARRANTIES

Section 5.1 Representations and Warranties of the Seller. Each Seller Party hereby represents and warrants to the Agent and the Purchasers, as to itself, as of the date hereof and as of the date of each Incremental Purchase and the date of each Reinvestment that:

(a) Existence and Power. Such Seller Party is duly organized, validly existing and in good standing under the laws of Delaware, and is duly qualified to do business and is in good standing as a foreign entity, and has and holds all organizational power and all governmental licenses, authorizations, consents and approvals required to carry on its business in each jurisdiction in which its business is conducted except where the failure to so qualify or so hold could not reasonably be expected to have a Material Adverse Effect.

(b) Power and Authority; Due Authorization, Execution and Delivery. The execution and delivery by such Seller Party of this Agreement and each other Transaction Document to which it is a party, and the performance of its obligations hereunder and thereunder and, Seller's use of the proceeds of the purchases made hereunder, are within its organizational powers and authority and have been duly authorized by all necessary action on its part. This Agreement and each other Transaction Document to which such Seller Party is a party has been duly executed and delivered by such Seller Party.

(c) No Conflict. The execution and delivery by such Seller Party of this Agreement and each other Transaction Document to which it is a party, and the performance of its obligations hereunder and thereunder do not contravene or violate (i) its Organization Documents, (ii) any law, rule or regulation applicable to it, (iii) any restrictions under any agreement, contract or instrument to which it is a party or by which it or any of its property is bound, or (iv) any order, writ, judgment, award, injunction or decree binding on or affecting it or its property, and do not result in the creation or imposition of any Adverse Claim on assets of such Seller Party (except as created under the Transaction Documents) except, in each case, where such contravention or violation could not reasonably be expected to have a Material Adverse Effect; and no transaction contemplated hereby requires compliance with any bulk sales act or similar law.

(d) Governmental Authorization. Other than the filing of the financing statements required hereunder and under the Receivables Interest Sale Agreement, no authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution and delivery by such Seller Party of this Agreement and each other Transaction Document to which it is a party and the performance of its obligations hereunder and thereunder.

(e) Actions, Suits. There are no actions, suits or proceedings pending, or to the best of such Seller Party's knowledge, threatened, against or affecting such Seller Party, or any of its properties, in or before any Governmental Authority, which (a) purport to affect or pertain to this Agreement or any other Transaction Document or any of the transactions contemplated hereby or thereby; or (b) if determined adversely to Originator, would reasonably be expected to have a Material Adverse Effect. No injunction, writ, temporary restraining order or any order of any nature has been issued by any court or other Governmental Authority purporting to enjoin or restrain the execution, delivery or performance of this Agreement or any other Transaction Document, or directing that the transactions provided for herein or therein not be consummated as herein or therein provided.

(f) Binding Effect. This Agreement and each other Transaction Document to which such Seller Party is a party constitute the legal, valid and binding obligations of such Seller Party enforceable against such Seller Party in accordance with their respective terms, except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws relating to or limiting creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

(g) Accuracy of Information. All information heretofore furnished by such Seller Party or any of its Affiliates to the Agent or any Purchaser for purposes of or in connection with this Agreement, any of the other Transaction Documents or any transaction contemplated hereby or thereby is, and all such information hereafter furnished by such Seller Party or any of its Affiliates to the Agent or any Purchaser will be, true and accurate in every material respect on the date such information is stated or certified and does not and will not contain any untrue statement of a material fact or omit any material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they are made, not misleading as of the time when made or delivered.

(h) Use of Proceeds. No proceeds of any purchase hereunder will be used (i) for a purpose that violates, or would be inconsistent with, Regulation T, U or X promulgated by the Board of Governors of the Federal Reserve System from time to time or (ii) to acquire any security in any transaction which is subject to Section 12, 13 or 14 of the Securities Exchange Act of 1934, as amended.

(i) Good Title. Immediately prior to each purchase hereunder, Seller shall be the legal and beneficial owner of the Asset Interest, free and clear of any Adverse Claim, except as created by the Transaction Documents. There have been duly filed all financing statements or other similar instruments or documents necessary under the UCC (or any comparable law) of all appropriate jurisdictions to perfect Seller's ownership interest in the Asset Interest.

(j) Perfection. This Agreement, together with the filing of the financing

statements contemplated hereby, is effective to, and shall, upon each purchase hereunder, transfer to the Agent for the benefit of the relevant Purchaser or Purchasers (and the Agent for the benefit of such Purchaser or Purchasers shall acquire from Seller) a valid and perfected first priority undivided percentage ownership or security interest in the Asset Interest, free and clear of any Adverse Claim, except as created by the Transactions Documents. There have been duly filed all financing statements or other similar instruments or documents necessary under the UCC (or any comparable law) of all appropriate jurisdictions to perfect the Agent's (on behalf of the Purchasers) ownership or security interest in the Asset Interest.

(k) Places of Business and Locations of Records. The principal places of business and chief executive office of such Seller Party and the offices where it keeps all of its records regarding the Purchaser Interests are located at the address(es) listed on Exhibit III or such other locations of which the Agent has been notified in accordance with Section 7.2(a) in jurisdictions where all action required by Section 14.4(a) has been taken and completed. Seller's Federal Employer Identification Number is correctly set forth on Exhibit III.

(l) Asset Interest Collections. The conditions and requirements set forth in Section 7.12 and in Section 5.12(a) of the Receivables Interest Sale Agreement have at all times been satisfied and duly performed. Seller has not granted any Person, other than the Servicer, dominion and control of any Lock-Box or Collection Account, or the right to take dominion and control of any such Lock-Box or Collection Account at a future time or upon the occurrence of a future event. Servicer has not granted any Person, other than the Agent, dominion and control of the Servicer's Concentration Account, or the right to take dominion and control of the Servicer's Concentration Account at a future time or upon the occurrence of a future event. Seller has not granted any Person, other than the Agent, dominion and control of the Facility Account, or the right to take dominion and control of the Facility Account at a future time or upon the occurrence of a future event.

(m) Material Adverse Effect. (i) The initial Servicer represents and warrants that since April 30, 2000, no event has occurred that would have a material adverse effect on the financial condition or operations of the initial Servicer and its Subsidiaries or the ability of the initial Servicer to perform its obligations under this Agreement, and (ii) Seller represents and warrants that since the date of this Agreement, no event has occurred that would have a material adverse effect on (A) the financial condition or operations of Seller, (B) the ability of Seller to perform its obligations under the Transaction Documents, or (C) the collectibility of the Pool Receivables generally or any material portion of the Pool Receivables.

(n) Names. In the past five (5) years, Seller has not used any legal names, trade names or assumed names other than the name in which it has executed this Agreement.

(o) Ownership of Seller. Originator owns, directly or indirectly, 100% of the issued and outstanding Equity Interests of Seller, free and clear of any Adverse Claim. Such Equity Interests are validly issued, fully paid and nonassessable, and there are no options, warrants or other rights to acquire securities of Seller.

(p) Not a Regulated Entity. Such Seller Party is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended, or any successor statute. Such Seller Party is not subject to regulation under the Public Utility Holding Company Act of 1935, the Federal Power Act, the Interstate Commerce Act, any state public utilities code, or any other Federal or state statute or regulation limiting its ability to incur Indebtedness or to sell interests in the Pool Receivables or the Asset Interest.

(q) Compliance with Law. Such Seller Party has complied with all applicable laws, rules, regulations, orders, writs, judgments, injunctions, decrees or awards to which it may be subject, except where the failure to so comply could not reasonably be expected to have a Material Adverse Effect. Each Pool Receivable, together with the Contract related thereto, does not contravene any laws, rules or regulations applicable thereto (including, without limitation, laws, rules and regulations relating to truth in lending, fair credit billing, fair credit reporting, equal credit opportunity, fair debt collection practices and privacy), and no part of such Contract is in violation of any such law, rule or regulation, except where such contravention or violation could not reasonably be expected to have a Material Adverse Effect.

(r) Compliance with Credit and Collection Policy. Such Seller Party has complied in all material respects with the Credit and Collection Policy with regard to each Pool Receivable and the related Contract, and has not made any change to such Credit and Collection Policy, except such material change as to which the Agent has been notified in accordance with Section 7.2(c) and has consented.

(s) Payments to Originator. Seller has given reasonably equivalent value to Originator in consideration for the Asset Interest and such transfer was not made for or on account of an antecedent debt. The transfer by Originator of the Asset Interest under the Receivables Interest Sale Agreement is not voidable under any section of the Bankruptcy Reform Act of 1978 (11 U.S.C. ss.ss. 101 et seq.), as amended.

(t) Enforceability of Contracts. Each Contract with respect to each Pool Receivable is effective to create, and has created, a legal, valid and binding obligation of the related Obligor to pay the Outstanding Balance of the Pool Receivable created thereunder and any accrued interest thereon, enforceable against the Obligor in accordance with its terms, except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws relating to or limiting creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

(u) Eligible Receivables. Each Receivable included in the Asset Interest

is an Eligible Receivable.

(v) Net Asset Interest Balance. Seller has determined that, immediately after giving effect to each purchase hereunder, the Net Asset Interest Balance will at least equal 1.2 times the Aggregate Capital then outstanding.

(w) Accounting. The manner in which such Seller Party accounts for the transactions contemplated by this Agreement and the Receivables Interest Sale Agreement does not jeopardize the true sale analysis.

Section 5.2 Financial Institution Representations and Warranties. Each Financial Institution hereby represents and warrants to the Agent and Conduit that:

(a) Existence and Power. Such Financial Institution is a corporation or a banking association duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation or organization, and has all power to perform its obligations hereunder.

(b) No Conflict. The execution and delivery by such Financial Institution of this Agreement and the performance of its obligations hereunder are within its powers, have been duly authorized by all necessary action, do not contravene or violate (i) its certificate or articles of incorporation or association or by-laws, (ii) any law, rule or regulation applicable to it, (iii) any restrictions under any agreement, contract or instrument to which it is a party or any of its property is bound, or (iv) any order, writ, judgment, award, injunction or decree binding on or affecting it or its property, and do not result in the creation or imposition of any Adverse Claim on its assets. This Agreement has been duly authorized, executed and delivered by such Financial Institution.

(c) Governmental Authorization. No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution and delivery by such Financial Institution of this Agreement and the performance of its obligations hereunder.

(d) Binding Effect. This Agreement constitutes the legal, valid and binding obligation of such Financial Institution enforceable against such Financial Institution in accordance with its terms, except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws relating to or limiting creditors' rights generally and by general principles of equity (regardless of whether such enforcement is sought in a proceeding in equity or at law).

ARTICLE VI.
CONDITIONS OF PURCHASES

Section 6.1 Conditions Precedent to Initial Incremental Purchase. The initial Incremental Purchase of a Purchaser Interest under this Agreement is subject to the conditions precedent that (a) the Agent shall have received on or before the date of such purchase those documents listed on Schedule B and (b) the Agent shall have received all fees and expenses required to be paid on such date pursuant to the terms of this Agreement and the Fee Letter.

Section 6.2 Conditions Precedent to All Purchases and Reinvestments. Each purchase of a Purchaser Interest (other than pursuant to Section 13.1) and each Reinvestment shall be subject to the further conditions precedent that (a) the Servicer shall have delivered to the Agent on or prior to the date of such purchase or Reinvestment, in form and substance satisfactory to the Agent, all Monthly Reports and interim reports as and when due under Section 8.5; (b) the Facility Termination Date shall not have occurred; (c) the Agent shall have received such other approvals, opinions or documents as it may reasonably request and (d) on the date of each such Incremental Purchase or Reinvestment, the following statements shall be true (and acceptance of the proceeds of such Incremental Purchase or Reinvestment shall be deemed a representation and warranty by Seller that such statements are then true):

(i) the representations and warranties set forth in Section 5.1 are true and correct on and as of the date of such Incremental Purchase or Reinvestment as though made on and as of such date;

(ii) no event has occurred and is continuing, or would result from such Incremental Purchase or Reinvestment, that will constitute an Amortization Event, and no event has occurred and is continuing, or would result from such Incremental Purchase or Reinvestment, that would constitute a Potential Amortization Event; and

(iii) the Aggregate Capital does not exceed the Purchase Limit and the aggregate Purchaser Interests do not exceed 100%.

It is expressly understood that each Reinvestment shall, unless otherwise directed by the Agent or any Purchaser, occur automatically on each day that the Servicer shall receive any Asset Interest Collections without the requirement that any further action be taken on the part of any Person and notwithstanding the failure of Seller to satisfy any of the foregoing conditions precedent in respect of such Reinvestment. The failure of Seller to satisfy any of the foregoing conditions precedent in respect of any Reinvestment shall give rise to a right of the Agent, which right may be exercised at any time on demand of the Agent, to rescind the related purchase and direct Seller to pay to the Agent for the benefit of the Purchasers an amount equal to the Asset Interest Collections prior to the Amortization Date that shall have been applied to the affected Reinvestment.

ARTICLE VII.
COVENANTS

Until the date on which the Aggregate Unpaids have been

indefeasibly paid in full and this Agreement terminates in accordance with its terms, each Seller Party hereby covenants, as to itself, as set forth below:

Section 7.1 Financial Reporting. Seller shall deliver to the Agent, in form and detail satisfactory to the ---------- Agent:

(a) Annual Financial Statements. As soon as available, but not later than 100 days after the end of each fiscal year of Seller, an unaudited balance sheet of Seller as at the end of such year and the related statements of income or operations, members' equity and cash flows for such year, setting forth in each case in comparative form the figures for the previous fiscal year, and certified by a Responsible Officer as fairly presenting, in accordance with GAAP, applied, if applicable, on a basis consistent with prior years, the financial position and the results of operations of Seller;

(b) Quarterly Financial Statements. As soon as available, but not later than 45 days after the end of each of the first three fiscal quarters of each fiscal year of Seller, a copy of the unaudited balance sheet of Seller as of the end of such quarter and the related statements of income, members' equity and cash flows for the period commencing on the first day and ending on the last day of such quarter, and certified by a Responsible Officer as fairly presenting, in accordance with GAAP (subject to ordinary, good faith year-end audit adjustments), the financial position and the results of operations of Seller; and

(c) Receivables Interest Sale Agreement Financial Statements. When and as required under the Receivables Interest Sale Agreement, each of the financial statements required to be delivered under Section 5.1 thereof.

Section 7.2 Certificates; Other Information. Such Seller Party shall furnish to the Agent:

(a) Receivables Interest Sale Agreement Certificates. When and as required under the Receivables Interest Sale Agreement, each of the certificates and other reports and information required to be delivered under Section 5.2 thereof; and

(b) Compliance Certificate. Concurrently with the delivery of the financial statements referred to in Sections 5.1(a) and (b), a Compliance Certificate executed by a Responsible Officer of Seller with respect to the periods covered by such financial statements together with supporting calculations and such other supporting detail as the Agent shall require.

Section 7.3 Notices. Such Seller Party shall promptly notify the Agent:

(a) Of the occurrence of any Amortization Event or Potential Amortization Event;

(b) Of any matter described in Section 5.3(a)-(d), (f) or (g) of the Receivables Interest Sale Agreement;

(c) At least thirty (30) days prior to the effectiveness of any material change in or material amendment to the Credit and Collection Policy, a copy of the Credit and Collection Policy then in effect and a notice (A) indicating such change or amendment, and (B) if such proposed change or amendment would be reasonably likely to adversely affect the collectibility of the Pool Receivables or decrease the credit quality of any newly created Pool Receivables, requesting the Agent's consent thereto;

(d) Of any material change in accounting policies or financial reporting practices by Originator or any of its consolidated Subsidiaries;

(e) If any of the representations and warranties in Article V ceases to be true and correct;

(f) Of the occurrence of any event or condition that has had, or could reasonably be expected to have, a Material Adverse Effect; and

(g) Of the occurrence of the "Termination Date" under and as defined in the Receivables Interest Sale Agreement.

Each notice under this Section shall be accompanied by a written statement by a Responsible Officer of such Seller Party setting forth details of the occurrence referred to therein, and stating what action such Seller Party or any affected Affiliate proposes to take with respect thereto and at what time. Each notice under Section 7.3(a) shall describe with particularity any and all clauses or provisions of this Agreement or other Transaction Document that have been breached or violated.

Section 7.4 Compliance with Laws. Such Seller Party shall comply with all Requirements of Law of any Governmental Authority having jurisdiction over it or its business (including the Federal Fair Labor Standards Act), except such as may be contested in good faith or as to which a bona fide dispute may exist or the failure of which to comply with could not reasonably be expected to have a Material Adverse Effect.

Section 7.5 Preservation of Existence, Etc. Such Seller Party shall:

(a) Preserve and maintain in full force and effect its legal existence and good standing under the laws of its state or jurisdiction of organization except in connection with transactions permitted by the Credit Agreement;

(b) Preserve and maintain in full force and effect all governmental rights, privileges, qualifications, permits, licenses and franchises necessary or desirable in the normal conduct of its business except in connection with transactions permitted by the Credit Agreement, except where the failure to so preserve or maintain such governmental rights, privileges, qualifications, permits, licenses and franchises could not reasonably be expected to have a

Material Adverse Effect;

(c) Preserve its business organization and goodwill, except where the failure to so preserve its business organization or goodwill could not reasonably be expected to have a Material Adverse Effect; and

(d) Preserve or renew all of its registered patents, trademarks, trade names and service marks, the non-preservation of which could reasonably be expected to have a Material Adverse Effect.

Section 7.6 Payment of Obligations. Such Seller Party shall pay and discharge as the same shall become due and payable (except to the extent the failure to so pay and discharge could not reasonably be expected to have a Material Adverse Effect), all of its obligations and liabilities, including:

(a) All tax liabilities, assessments and governmental charges or levies upon it or its properties or assets, unless the same are being contested in good faith by appropriate proceedings and adequate reserves in accordance with GAAP are being maintained by such Seller Party; and

(b) All lawful claims which, if unpaid, would by law become a Adverse Claim upon its property, unless such claims are being contested in good faith by appropriate proceedings and adequate reserves in accordance with GAAP are being maintained by such Seller Party.

Section 7.7 Audits. Such Seller Party will furnish to the Agent from time to time such information with respect to it and the Pool Receivables as the Agent may reasonably request. Such Seller Party will, from time to time during regular business hours as requested by Buyer (or its assigns), upon reasonable notice and at the sole cost of such Seller Party, permit the Agent and the Purchasers or their respective agents or representatives (i) to examine and make copies of and abstracts from all Records in the possession or under the control of such Seller Party relating to the Pool Receivables and the Related Security, including, without limitation, the related Contracts, and (ii) to visit the offices and properties of such Seller Party for the purpose of examining such materials described in clause (i) above, and to discuss matters relating to such Seller Party's financial condition or the Pool Receivables and the Related Security or such Seller Party's performance under any of the Transaction Documents or Originator's performance under the Contracts and, in each case, with any of the officers or employees of such Seller Party having knowledge of such matters.

Section 7.8 Keeping of Records and Books. The Servicer will maintain and implement administrative and operating procedures (including, without limitation, an ability to recreate records evidencing Receivables in the event of the destruction of the originals thereof), and keep and maintain all documents, books, records and other information reasonably necessary or advisable for the collection of all Receivables (including, without limitation, records adequate to permit the immediate identification of each new Receivable and all Asset Interest Collections of and adjustments to each existing Receivable). The Servicer will give the Agent notice of any material change in the administrative and operating procedures referred to in the previous sentence. Such Seller Party will on or prior to the date hereof, mark its master data processing records and other books and records relating to the Purchaser Interests with a legend, acceptable to the Agent, describing the Purchaser Interests.

Section 7.9 Compliance with Contracts and Credit and Collection Policy. Such Seller Party will timely and fully (i) perform and comply with all provisions, covenants and other promises required to be observed by it under the Contracts related to the Pool Receivables, except where the failure to so comply could not reasonably be expected to have a material adverse impact on the overall collectibility of the Pool Receivables, and (ii) comply in all respects with the Credit and Collection Policy in regard to each Pool Receivable and the related Contract, except where the failure to so comply could not reasonably be expected to have a material adverse impact on the overall collectibility of the Pool Receivables.

Section 7.10 Purchasers' Reliance. Seller acknowledges that the Purchasers are entering into the transactions contemplated by this Agreement in reliance upon Seller's identity as a legal entity that is separate from Originator. Therefore, from and after the date of execution and delivery of this Agreement, Seller shall take all reasonable steps, including, without limitation, all steps that the Agent or any Purchaser may from time to time reasonably request, to maintain Seller's identity as a separate legal entity and to make it manifest to third parties that Seller is an entity with assets and liabilities distinct from those of Originator and any Affiliates thereof and not just a division of Originator or any such Affiliate. Without limiting the generality of the foregoing and in addition to the other covenants set forth herein, Seller will:

(A) conduct its own business in its own name and require that all full-time employees of Seller, if any, identify themselves as such and not as employees of Originator (including, without limitation, by means of providing appropriate employees with business or identification cards identifying such employees as Seller's employees);

(B) compensate all employees, consultants and agents directly, from Seller's own funds, for services provided to Seller by such employees, consultants and agents and, to the extent any employee, consultant or agent of Seller is also an employee, consultant or agent of Originator or any Affiliate thereof, allocate the compensation of such employee, consultant or agent between Seller and Originator or such Affiliate, as applicable, on a basis that reflects the services rendered to Seller and Originator or such Affiliate, as applicable;

(C) clearly identify its offices (by signage or otherwise) as its offices and allocate to Seller on a reasonable basis the costs of any space shared with the Originator;

(D) have a separate telephone number, which will be answered only in its name and separate stationery, invoices and checks in its own name;

(E) conduct all transactions with Originator and the Servicer (including, without limitation, any delegation of its obligations hereunder as Servicer) strictly on an arm's-length basis, allocate all overhead expenses (including, without limitation, telephone and other utility charges) for items shared between Seller and Originator on the basis of actual use to the extent practicable and, to the extent such allocation is not practicable, on a basis reasonably related to actual use;

(F) at all times have a Board of Directors consisting of at least three members, at least one member of which is an Independent Director;

(G) observe all formalities as a distinct entity, and ensure that all actions relating to (A) the dissolution or liquidation of Seller or (B) the initiation of, participation in, acquiescence in or consent to any bankruptcy, insolvency, reorganization or similar proceeding involving Seller, are duly authorized by unanimous vote of its Board of Directors (including the Independent Director);

(H) maintain Seller's books and records separate from those of Originator and any Affiliate thereof and otherwise readily identifiable as its own assets rather than assets of Originator and any Affiliate thereof;

(I) prepare its financial statements separately from those of Originator and insure that any consolidated financial statements of Originator or any Affiliate thereof that include Seller and that are filed with the Securities and Exchange Commission or any other governmental agency have notes clearly stating that Seller is a separate entity and that its assets will be available first and foremost to satisfy the claims of the creditors of Seller;

(J) except as herein specifically otherwise provided, maintain the funds or other assets of Seller separate from, and not commingled with, those of Originator or any Affiliate thereof and only maintain bank accounts or other depository accounts to which Seller alone is the account party, into which Seller alone makes deposits and from which Seller alone (or the Agent hereunder) has the power to make withdrawals;

(K) pay all of Seller's operating expenses from Seller's own assets (except for certain payments by Originator or other Persons pursuant to allocation arrangements that comply with the requirements of this Section 7.10);

(L) operate its business and activities such that: it does not engage in any business or activity of any kind, or enter into any transaction or indenture, mortgage, instrument, agreement, contract, lease or other undertaking, other than the transactions contemplated and authorized by this Agreement and the Receivables Interest Sale Agreement; and does not create, incur, guarantee, assume or suffer to exist any indebtedness or other liabilities, whether direct or contingent, other than (1) as a result of the endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business, (2) the incurrence of obligations under this Agreement, (3) the incurrence of obligations, as expressly contemplated in the Receivables Interest Sale Agreement, to make payment to Originator thereunder for the purchase of Receivables from Originator under the Receivables Interest Sale Agreement, and (4) the incurrence of operating expenses in the ordinary course of business of the type otherwise contemplated by this Agreement;

(M) maintain its charter in conformity with this Agreement, such that it does not amend, restate, supplement or otherwise modify its Organization Documents in any respect that would impair its ability to comply with the terms or provisions of any of the Transaction Documents, including, without limitation, this Section 7.10;

(N) maintain the effectiveness of, and continue to perform under the Receivables Interest Sale Agreement, such that it does not amend, restate, supplement, cancel, terminate or otherwise modify the Receivables Interest Sale Agreement, or give any consent, waiver, directive or approval thereunder or waive any default, action, omission or breach under the Receivables Interest Sale Agreement or otherwise grant any indulgence thereunder, without (in each case) the prior written consent of the Agent;

(O) maintain its legal separateness such that it does not merge or consolidate with or into, or convey, transfer, lease or otherwise dispose of (whether in one transaction or in a series of transactions, and except as otherwise contemplated herein) all or substantially all of its assets (whether now owned or hereafter acquired) to, or acquire all or substantially all of the assets of, any Person, nor at any time create, have, acquire, maintain or hold any interest in any Subsidiary.

(P) maintain at all times adequate capital with which to conduct its business and to meet its obligations as they come due; and

(Q) take such other actions as are necessary on its part to ensure that the facts and assumptions set forth in the opinion issued by Bracewell & Patterson, L.L.P. as counsel for the Seller Parties, in connection with the closing or initial Incremental Purchase under this Agreement and relating to substantive consolidation issues, and in the certificates accompanying such opinion, remain true and correct in all material respects at all times.

Section 7.11 Performance and Enforcement of Receivables Interest Sale Agreement. Seller will, and will require Originator to, perform each of their respective obligations and undertakings under and pursuant to the Receivables Interest Sale Agreement, will purchase Receivables thereunder in strict compliance with the terms thereof and will vigorously enforce the rights and remedies accorded to Seller under the Receivables Interest Sale Agreement. Seller will take all actions to perfect and enforce its rights and interests (and the rights and interests of the Agent and the Purchasers as assignees of Seller) under the Receivables Interest Sale Agreement as the Agent may from time to time

reasonably request, including, without limitation, making claims to which it may be entitled under any indemnity, reimbursement or similar provision contained in the Receivables Interest Sale Agreement.

Section 7.12 Collections. Each Seller Party will cause all Collections on the Pool Receivables to be concentrated no less often than weekly into the Servicer's Concentration Account. The Servicer will sweep the Buyer's Percentage of all such Collections from the Servicer's Concentration Account no less than daily into the Facility Account and immediately thereafter transferred to the Originator's Account; provided, however, that upon written request of the Agent, each of the Seller Parties will cause all such Collections to be concentrated each Business Day into the Servicer's Concentration Account. From and after October 26, 2000: (a) Servicer will cause the Servicer's Concentration Account to be subject at all times to a Blocked Account Agreement that is in full force and effect, and (b) Seller will cause the Facility Account to be subject at all times to a Blocked Account Agreement that is in full force and effect.

Section 7.13 Ownership. Seller will take all necessary action to (i) vest legal and equitable title to the Asset Interest irrevocably in Seller, free and clear of any Adverse Claims other than Adverse Claims in favor of the Agent and the Purchasers (including, without limitation, the filing of all financing statements or other similar instruments or documents necessary under the UCC (or any comparable law) of all appropriate jurisdictions to perfect Seller's interest in the Asset Interest and such other action to perfect, protect or more fully evidence the interest of Seller therein as the Agent may reasonably request), and (ii) establish and maintain, in favor of the Agent, for the benefit of the Purchasers, a valid and perfected first priority undivided percentage ownership interest (and/or a valid and perfected first priority security interest) in the Asset Interest to the full extent contemplated herein, free and clear of any Adverse Claims other than Adverse Claims in favor of the Agent for the benefit of the Purchasers (including, without limitation, the filing of all financing statements or other similar instruments or documents necessary under the UCC (or any comparable law) of all appropriate jurisdictions to perfect the Agent's (for the benefit of the Purchasers) interest in the Asset Interest and such other action to perfect, protect or more fully evidence the interest of the Agent for the benefit of the Purchasers as the Agent may reasonably request).

Section 7.14 Taxes. Such Seller Party will file all tax returns and reports required by law to be filed by it and will promptly pay all taxes and governmental charges at any time owing, except any such taxes which are not yet delinquent or are being diligently contested in good faith by appropriate proceedings and for which adequate reserves in accordance with GAAP shall have been set aside on its books. Seller will pay when due any taxes payable in connection with the Pool Receivables, exclusive of taxes on or measured by income or gross receipts of Conduit, the Agent or any Financial Institution.

Section 7.15 Negative Covenants of the Seller Parties. Until the date on which the Aggregate Unpaids have been indefeasibly paid in full and this Agreement terminates in accordance with its terms, each Seller Party hereby covenants, as to itself, that:

(a) Name Change, Offices and Records. Such Seller Party will not change its name, identity or legal structure (within the meaning of Article 9 of any applicable enactment of the UCC) or relocate its chief executive office or any office where Records are kept unless it shall have: (i) given the Agent at least 15 days' prior written notice thereof and (ii) delivered to the Agent all financing statements, instruments and other documents requested by the Agent in connection with such change or relocation.

(b) Change in Payment Instructions to Obligors. Such Seller Party will not authorize any Obligor to make payment to any Lock-Box or Collection Account other than one which is swept into the Servicer's Concentration Account in accordance with Section 7.12.

(c) Modifications to Contracts and Credit and Collection Policy. Such Seller Party will not make any change to the Credit and Collection Policy that could adversely affect the collectibility of the Pool Receivables or decrease the credit quality of any newly created Pool Receivables. Except as otherwise permitted pursuant to Article VIII hereof, such Seller Party will not extend, amend or otherwise modify the terms of any Pool Receivable or any Contract related thereto other than in accordance with the Credit and Collection Policy.

(d) Sales, Adverse Claims. Such Seller Party will not sell, assign (by operation of law or otherwise) or otherwise dispose of, or grant any option with respect to, or create or suffer to exist any Adverse Claim upon (including, without limitation, the filing of any financing statement) or with respect to, the Asset Interest, the Facility Account or the Servicer's Concentration Account, or assign any right to receive income with respect thereto (other than, in each case, the creation of the interests therein in favor of the Agent, for the benefit of the Purchasers, provided for herein), and such Seller Party will defend the right, title and interest of the Agent, for the benefit of the Purchasers, in, to and under any of the foregoing property, against all claims of third parties claiming through or under such Seller Party. (e) Net Asset Interest Balance. At no time prior to the Amortization Date shall Seller permit the Net Asset Interest Balance to be less than 1.2 times the Aggregate Capital outstanding.

(f) Termination Date Determination. Seller will not designate the Termination Date (as defined in the Receivables Interest Sale Agreement), or send any written notice to Originator in respect thereof, without the prior written consent of the Agent, except with respect to the automatic occurrence of such Termination Date arising in accordance with the proviso set forth in Section 7.2(i) of the Receivables Interest Sale Agreement.

(g) Restricted Junior Payments. From and after the occurrence of any Amortization Event, Seller will not make any Restricted Junior Payment if, after giving effect thereto, Seller would fail to meet its obligations set forth in

Section 7.10(P).

ARTICLE VIII.

ADMINISTRATION AND COLLECTION

Section 8.1 Designation of Servicer.

(a) The servicing, administration and collection of the Pool Receivables shall be conducted by such Person (the "Servicer") so designated from time to time in accordance with Article VI of the Receivables Interest Sale Agreement and this Article VIII. Ferrellgas is hereby designated as, and hereby agrees to perform the duties and obligations of, the Servicer pursuant to the terms of this Agreement. The Agent may at any time designate as Servicer any Person to succeed Ferrellgas or any successor Servicer; provided, however, that unless an Amortization Event (or another event of the type described in the definition of "Amortization Date" has occurred), replacement of the Servicer shall not result in the occurrence of the Amortization Date.

Section 8.2 Certain Duties of Servicer.

(a) The Servicer shall administer the Asset Interest Collections in accordance with the procedures described herein and in Article II. The Servicer shall set aside and hold in trust for the account of Seller and the Purchasers their respective shares of the Asset Interest Collections in accordance with Article II. The Servicer shall, upon the request of the Agent, segregate, in a manner acceptable to the Agent, all cash, checks and other instruments received by it from time to time constituting Asset Interest Collections from the general funds of the Servicer or Seller prior to the remittance thereof in accordance with Article II. If the Servicer shall be required to segregate Asset Interest Collections pursuant to the preceding sentence, the Servicer shall segregate and deposit with a bank designated by the Agent such allocable share of Asset Interest Collections of Receivables set aside for the Purchasers on the first Business Day following receipt by the Servicer of such Asset Interest Collections, duly endorsed or with duly executed instruments of transfer.

(b) The Servicer may, in accordance with the Credit and Collection Policy, extend the maturity of any Receivable or adjust the Outstanding Balance of any Receivable as the Servicer determines to be appropriate to maximize Asset Interest Collections thereof; provided, however, that such extension or adjustment shall not alter the status of such Receivable as a Delinquent Receivable, Defaulted Receivable or Charged-Off Receivable or limit the rights of the Agent or the Purchasers under this Agreement. Notwithstanding anything to the contrary contained herein, from and after the occurrence of an Amortization Event, the Agent shall have the absolute and unlimited right to direct the Servicer to commence or settle any legal action with respect to any Pool Receivable or to foreclose upon or repossess any Related Security.

(c) The Servicer shall hold in trust for Seller and the Purchasers all Records that (i) evidence or relate to the Asset Interest or (ii) are otherwise necessary or desirable to collect the Asset Interest and shall, as soon as practicable upon demand of the Agent following the occurrence of an Amortization Event, deliver or make available to the Agent all such Records, at a place selected by the Agent. The Servicer shall, from time to time at the request of any Purchaser, furnish to the Purchasers (promptly after any such request) a calculation of the amounts set aside for the Purchasers pursuant to Article II.

(d) Any payment by an Obligor in respect of any indebtedness owed by it to Originator or Seller shall, except as otherwise specified by such Obligor or otherwise required by contract or law and unless otherwise instructed by the Agent, be applied as a Collection of any Pool Receivable of such Obligor (starting with the oldest such Pool Receivable) to the extent of any amounts then due and payable thereunder before being applied to any other receivable or other obligation of such Obligor.

Section 8.3 Collection Notices. The Agent is authorized at any time to date and to deliver to Wells Fargo Bank the Collection Notices; provided, however, that nothing herein shall be deemed to give the Agent any claim to, Adverse Claim on or right to retain any amounts deposited into the Servicer's Concentration Account or the Facility Account which do not constitute Asset Interest Collections and provided, further, that unless an Amortization Event (or another event of the type described in the definition of "Amortization Date" has occurred), delivery of the Collection Notices shall not result in the occurrence of the Amortization Date. Effective when the Agent delivers such notices, Servicer hereby transfers to the Agent for the benefit of the Purchasers, the exclusive control of the Servicer's Concentration Account, and Seller hereby transfers to the Agent for the benefit of the Purchasers, the exclusive ownership and control of the Facility Account. Each of the Seller Parties hereby authorizes the Agent, and agrees that the Agent shall be entitled: (i) at any time after delivery of the Collections Notices, to endorse such Seller Party's name on checks and other instruments representing Asset Interest Collections, (ii) at any time after the earlier to occur of an Amortization Event or replacement of the Servicer, to enforce the Pool Receivables and the Related Security, and (iii) at any time after delivery of the Collections Notices, to take such action as shall be necessary or desirable to cause all cash, checks and other instruments constituting Asset Interest Collections to come into the possession of the Agent rather than such Seller Party.

Section 8.4 Responsibilities of Seller. Anything herein to the contrary notwithstanding, the exercise by the Agent and the Purchasers of their rights hereunder shall not release the Servicer, Originator or Seller from any of their duties or obligations with respect to any Receivables or under the related Contracts. The Purchasers shall have no obligation or liability with respect to any Receivables or related Contracts, nor shall any of them be obligated to perform the obligations of Seller.

Section 8.5 Reports. The Servicer shall prepare and forward to the Agent (i) on the 18th day of each month hereafter or if any such day is not a Business Day, on the next succeeding Business Day (each, a "Monthly Reporting Date"), a

Monthly Report and (ii) at such times as the Agent shall reasonably request, a listing by Obligor of all Pool Receivables together with an aging of all Pool Receivables. Additionally, at such more frequent times as the Agent shall reasonably request, upon five (5) days' notice, the Servicer will furnish (x) a report calculating the amount of Eligible Receivables as of such date based on the information available to determine sales, credits, charge-offs and collections since the most recent Monthly Report, or (y) such other form of report in form and substance reasonably satisfactory to the Agent with respect to the amount of Eligible Receivables based on available information. At any time that the Agent shall request upon not less than five (5) days' notice, the Servicer shall prepare and forward to the Agent an interim report setting forth all of the items covered in a Monthly Report, as of the date of such request, and in the same format as a Monthly Report.

ARTICLE IX.

AMORTIZATION EVENTS

Section 9.1 Amortization Events. The occurrence of any one or more of the following events shall constitute an Amortization Event:

(a) Any Seller Party shall fail (i) to make any payment or deposit required hereunder when due and, for any such payment or deposit which is not in respect of Capital, such failure continues for two (2) Business Days, or (ii) to perform or observe any term, covenant or agreement hereunder (other than as referred to in clause (i) of this paragraph (a) and paragraph 9.1(e)) and such failure shall continue for five (5) consecutive Business Days.

(b) Any representation, warranty, certification or statement made by any Seller Party in this Agreement, any other Transaction Document to which it is a party or in any other document delivered pursuant hereto or thereto shall prove to have been incorrect when made or deemed made.

(c) Failure of Seller to pay any Indebtedness when due; or the default by Seller in the performance of any term, provision or condition contained in any agreement under which any such Indebtedness was created or is governed, the effect of which is to cause, or to permit the holder or holders of such Indebtedness to cause, such Indebtedness to become due prior to its stated maturity; or any such Indebtedness of Seller shall be declared to be due and payable or required to be prepaid (other than by a regularly scheduled payment) prior to the date of maturity thereof.

(d) (i) Seller shall generally not pay its debts as such debts become due or shall admit in writing its inability to pay its debts generally or shall make a general assignment for the benefit of creditors; or (ii) any proceeding shall be instituted by or against any Seller Party or any of its Subsidiaries seeking to adjudicate it bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee or other similar official for it or any substantial part of its property or (iii) any Seller or any of its Subsidiaries shall take any action to authorize any of the actions set forth in clauses (i) or (ii) above in this subsection (d).

(e) Seller shall fail to comply with the terms of Section 2.6 hereof.

(f) As of the last day of any Measurement Period:

(i) the average of the Delinquency Trigger Ratios for the three Measurement Periods then most recently ended shall exceed 9.10%;

(ii) the average of the Charged-Off Trigger Ratios for the three Measurement Periods then most recently ended shall exceed 0.90%, or

(iii) the average of the Dilution Trigger Ratios for the three Measurement Periods then most recently ended shall exceed 2.40%.

(g) A Change of Control shall occur.

(h) One or more final judgments for the payment of money shall be entered against Seller on claims not covered by insurance or as to which the insurance carrier has denied its responsibility, and such judgment shall continue unsatisfied and in effect for fifteen (15) consecutive days without a stay of execution.

(i) The occurrence of any Termination Event or the Termination Date under and as defined in the Receivables Interest Sale Agreement shall occur under the Receivables Interest Sale Agreement.

(j) This Agreement shall terminate in whole or in part (except in accordance with its terms), or shall cease to be effective or to be the legally valid, binding and enforceable obligation of Seller, or any Obligor shall directly or indirectly contest in any manner such effectiveness, validity, binding nature or enforceability, or the Agent for the benefit of the Purchasers shall cease to have a valid and perfected first priority security interest in the Asset Interest.

Section 9.2 Remedies. Upon the occurrence and during the continuation of an Amortization Event, the Agent may, or upon the direction of the Required Financial Institutions shall, take any of the following actions: (i) replace the Person then acting as Servicer (if not previously replaced), (ii) declare the Amortization Date to have occurred, whereupon the Amortization Date shall forthwith occur, without demand, protest or further notice of any kind, all of which are hereby expressly waived by each Seller Party; provided, however, that upon the occurrence of an Amortization Event described in Section 9.1(d), or of an actual or deemed entry of an order for relief with respect to any Seller Party under the Federal Bankruptcy Code, the Amortization Date shall

automatically occur, without demand, protest or any notice of any kind, all of which are hereby expressly waived by each Seller Party, (iii) to the fullest extent permitted by applicable law, declare that the Default Fee shall accrue with respect to any of the Aggregate Unpaids outstanding at such time, and (iv) notify Obligors of the Purchasers' interest in the Pool Receivables. The aforementioned rights and remedies shall be without limitation, and shall be in addition to all other rights and remedies of the Agent and the Purchasers otherwise available under any other provision of this Agreement, by operation of law, at equity or otherwise, all of which are hereby expressly preserved, including, without limitation, all rights and remedies provided under the UCC, all of which rights shall be cumulative.

ARTICLE X.

INDEMNIFICATION

Section 10.1 Indemnities by the Seller Parties. Without limiting any other rights that the Agent or any Purchaser may have hereunder or under applicable law, (A) Seller hereby agrees to indemnify (and pay upon demand to) the Agent and each Purchaser and their respective assigns, officers, directors, agents and employees (each an "Indemnified Party") from and against any and all damages, losses, claims, taxes, liabilities, costs, expenses and for all other amounts payable, including reasonable attorneys' fees (which attorneys may be employees of the Agent or such Purchaser) and disbursements (all of the foregoing being collectively referred to as "Indemnified Amounts") awarded against or incurred by any of them arising out of or as a result of this Agreement or the acquisition, either directly or indirectly, by a Purchaser of an interest in the Pool Receivables, and (B) the Servicer hereby agrees to indemnify (and pay upon demand to) each Indemnified Party for Indemnified Amounts awarded against or incurred by any of them arising out of the Servicer's activities as Servicer hereunder excluding, however, in all of the foregoing instances under the preceding clauses (A) and (B):

(a) Indemnified Amounts to the extent a final judgment of a court of competent jurisdiction holds that such Indemnified Amounts resulted from gross negligence or willful misconduct on the part of the Indemnified Party seeking indemnification;

(b) Indemnified Amounts to the extent the same includes losses in respect of Receivables that are uncollectible on account of the insolvency, bankruptcy or lack of creditworthiness of the related Obligor; or

(c) taxes imposed by the jurisdiction in which such Indemnified Party's principal executive office is located, on or measured by the overall net income of such Indemnified Party to the extent that the computation of such taxes is consistent with the characterization for income tax purposes of the acquisition by the Purchasers of Purchaser Interests as a loan or loans by the Purchasers to Seller secured by the Asset Interest;

provided, however, that nothing contained in this sentence shall limit the liability of any Seller Party or limit the recourse of the Purchasers to any Seller Party for amounts otherwise specifically provided to be paid by such Seller Party under the terms of this Agreement. Without limiting the generality of the foregoing indemnification, Seller shall indemnify the Agent and the Purchasers for Indemnified Amounts (including, without limitation, losses in respect of uncollectible receivables, regardless of whether reimbursement therefor would constitute recourse to Seller or the Servicer) relating to or resulting from:

(i) any representation or warranty made by any Seller Party or Originator (or any officers of any such Person) under or in connection with this Agreement, any other Transaction Document or any other information or report delivered by any such Person pursuant hereto or thereto, which shall have been false or incorrect when made or deemed made;

(ii) the failure by Seller, the Servicer or Originator to comply with any applicable law, rule or regulation with respect to any Receivable or Contract related thereto, or the nonconformity of any Receivable or Contract included therein with any such applicable law, rule or regulation or any failure of Originator to keep or perform any of its obligations, express or implied, with respect to any Contract;

(iii) any failure of Seller, the Servicer or Originator to perform its duties, covenants or other obligations in accordance with the provisions of this Agreement or any other Transaction Document;

(iv) any products liability, personal injury or damage suit, or other similar claim arising out of or in connection with merchandise, insurance or services that are the subject of any Contract or any Receivable;

(v) any dispute, claim, offset or defense (other than discharge in bankruptcy of the Obligor) of the Obligor to the payment of any Receivable (including, without limitation, a defense based on such Receivable or the related Contract not being a legal, valid and binding obligation of such Obligor enforceable against it in accordance with its terms), or any other claim resulting from the sale of the merchandise or service related to such Receivable or the furnishing or failure to furnish such merchandise or services;

(vi) the commingling of Asset Interest Collections at any time with other funds;

(vii) any investigation, litigation or proceeding related to or arising from this Agreement or any other Transaction Document, the transactions contemplated hereby, the use of the proceeds of an Incremental Purchase or a Reinvestment, the ownership of the Purchaser Interests or any other investigation, litigation or proceeding relating to Seller, the

Servicer or Originator in which any Indemnified Party becomes involved as a result of any of the transactions contemplated hereby;

(viii) any inability to litigate any claim against any Obligor in respect of any Receivable as a result of such Obligor being immune from civil and commercial law and suit on the grounds of sovereignty or otherwise from any legal action, suit or proceeding;

(ix) any Amortization Event described in Section 9.1(d);

(x) any failure of Seller to acquire and maintain legal and equitable title to, and ownership of all or any portion of the Asset Interest from Originator, free and clear of any Adverse Claim (other than as created hereunder); or any failure of Seller to give reasonably equivalent value to Originator under the Receivables Interest Sale Agreement in consideration of the transfer by Originator of any portion of the Asset Interest, or any attempt by any Person to void such transfer under statutory provisions or common law or equitable action;

(xi) any failure to vest and maintain vested in the Agent for the benefit of the Purchasers, or to transfer to the Agent for the benefit of the Purchasers, legal and equitable title to, and ownership of, a first priority perfected undivided percentage ownership interest (to the extent of the Purchaser Interests contemplated hereunder) or security interest in the Asset Interest, free and clear of any Adverse Claim (except as created by the Transaction Documents);

(xii) the failure to have filed, or any delay in filing, financing statements or other similar instruments or documents under the UCC of any applicable jurisdiction or other applicable laws with respect to the Asset Interest, and the proceeds of any thereof, whether at the time of any Incremental Purchase or Reinvestment or at any subsequent time;

(xiii) any action or omission by any Seller Party which reduces or impairs the rights of the Agent or the Purchasers with respect to any Receivable or the value of any such Receivable;

(xiv) any attempt by any Person to void any Incremental Purchase or Reinvestment hereunder under statutory provisions or common law or equitable action; and

(xv) the failure of any Pool Receivable included in the calculation of the Net Asset Interest Balance to be an Eligible Receivable at the time so included.

Section 10.2 Increased Cost and Reduced Return. If after the date hereof, any Funding Source shall be charged any fee, expense or increased cost on account of the adoption of any applicable law, rule or regulation (including any applicable law, rule or regulation regarding capital adequacy) or any change therein, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency (a "Regulatory Change"): (i) that subjects any Funding Source to any charge or withholding on or with respect to any Funding Agreement or a Funding Source's obligations under a Funding Agreement, or on or with respect to the Pool Receivables, or changes the basis of taxation of payments to any Funding Source of any amounts payable under any Funding Agreement (except for changes in the rate of tax on the overall net income of a Funding Source or taxes excluded by Section 10.1) or (ii) that imposes, modifies or deems applicable any reserve, assessment, insurance charge, special deposit or similar requirement against assets of, deposits with or for the account of a Funding Source, or credit extended by a Funding Source pursuant to a Funding Agreement or (iii) that imposes any other condition the result of which is to increase the cost to a Funding Source of performing its obligations under a Funding Agreement, or to reduce the rate of return on a Funding Source's capital as a consequence of its obligations under a Funding Agreement, or to reduce the amount of any sum received or receivable by a Funding Source under a Funding Agreement or to require any payment calculated by reference to the amount of interests or loans held or interest received by it, then, upon demand by the Agent, Seller shall pay to the Agent, for the benefit of the relevant Funding Source, such amounts charged to such Funding Source or such amounts to otherwise compensate such Funding Source for such increased cost or such reduction.

Section 10.3 Other Costs and Expenses. Seller shall pay to the Agent and Conduit on demand all costs and out-of-pocket expenses in connection with the preparation, execution, delivery and administration of this Agreement, the transactions contemplated hereby and the other documents to be delivered hereunder, including without limitation, the cost of Conduit's auditors auditing the books, records and procedures of Seller, reasonable fees and out-of-pocket expenses of legal counsel for Conduit and the Agent (which such counsel may be employees of Conduit or the Agent) with respect thereto and with respect to advising Conduit and the Agent as to their respective rights and remedies under this Agreement. Seller shall pay to the Agent on demand any and all costs and expenses of the Agent and the Purchasers, if any, including reasonable counsel fees and expenses in connection with the enforcement of this Agreement and the other documents delivered hereunder and in connection with any restructuring or workout of this Agreement or such documents, or the administration of this Agreement following an Amortization Event. Seller shall reimburse Conduit on demand for all other costs and expenses incurred by Conduit ("Other Costs"), including, without limitation, the cost of auditing Conduit's books by certified public accountants, the cost of rating the Commercial Paper by independent financial rating agencies, and the reasonable fees and out-of-pocket expenses of counsel for Conduit or any counsel for any shareholder of Conduit with respect to advising Conduit or such shareholder as to matters relating to Conduit's operations.

Section 10.4 Allocations. Conduit shall allocate the liability for Other Costs

among Seller and other Persons with whom Conduit has entered into agreements to purchase interests in receivables ("Other Sellers"). If any Other Costs are attributable to Seller and not attributable to any Other Seller, Seller shall be solely liable for such Other Costs. However, if Other Costs are attributable to Other Sellers and not attributable to Seller, such Other Sellers shall be solely liable for such Other Costs. All allocations to be made pursuant to the foregoing provisions of this Article X shall be made by Conduit in its sole discretion and shall be binding on Seller and the Servicer.

ARTICLE XI.

THE AGENT

Section 11.1 Authorization and Action. Each Purchaser hereby designates and appoints Bank One to act as its agent hereunder and under each other Transaction Document, and authorizes the Agent to take such actions as agent on its behalf and to exercise such powers as are delegated to the Agent by the terms of this Agreement and the other Transaction Documents together with such powers as are reasonably incidental thereto. The Agent shall not have any duties or responsibilities, except those expressly set forth herein or in any other Transaction Document, or any fiduciary relationship with any Purchaser, and no implied covenants, functions, responsibilities, duties, obligations or liabilities on the part of the Agent shall be read into this Agreement or any other Transaction Document or otherwise exist for the Agent. In performing its functions and duties hereunder and under the other Transaction Documents, the Agent shall act solely as agent for the Purchasers and does not assume nor shall be deemed to have assumed any obligation or relationship of trust or agency with or for any Seller Party or any of such Seller Party's successors or assigns. The Agent shall not be required to take any action that exposes the Agent to personal liability or that is contrary to this Agreement, any other Transaction Document or applicable law. The appointment and authority of the Agent hereunder shall terminate upon the indefeasible payment in full of all Aggregate Unpaids. Each Purchaser hereby authorizes the Agent to execute each of the UCC financing statements and the Blocked Account Agreement on behalf of such Purchaser (the terms of which shall be binding on such Purchaser).

Section 11.2 Delegation of Duties. The Agent may execute any of its duties under this Agreement and each other Transaction Document by or through agents or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. The Agent shall not be responsible for the negligence or misconduct of any agents or attorneys-in-fact selected by it with reasonable care.

Section 11.3 Exculpatory Provisions. Neither the Agent nor any of its directors, officers, agents or employees shall be (i) liable for any action lawfully taken or omitted to be taken by it or them under or in connection with this Agreement or any other Transaction Document (except for its, their or such Person's own gross negligence or willful misconduct), or (ii) responsible in any manner to any of the Purchasers for any recitals, statements, representations or warranties made by any Seller Party contained in this Agreement, any other Transaction Document or any certificate, report, statement or other document referred to or provided for in, or received under or in connection with, this Agreement, or any other Transaction Document or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement, or any other Transaction Document or any other document furnished in connection herewith or therewith, or for any failure of any Seller Party to perform its obligations hereunder or thereunder, or for the satisfaction of any condition specified in Article VI, or for the perfection, priority, condition, value or sufficiency of any collateral pledged in connection herewith. The Agent shall not be under any obligation to any Purchaser to ascertain or to inquire as to the observance or performance of any of the agreements or covenants contained in, or conditions of, this Agreement or any other Transaction Document, or to inspect the properties, books or records of the Seller Parties. The Agent shall not be deemed to have knowledge of any Amortization Event or Potential Amortization Event unless the Agent has received notice from Seller or a Purchaser.

Section 11.4 Reliance by Agent. The Agent shall in all cases be entitled to rely, and shall be fully protected in relying, upon any document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including, without limitation, counsel to Seller), independent accountants and other experts selected by the Agent. The Agent shall in all cases be fully justified in failing or refusing to take any action under this Agreement or any other Transaction Document unless it shall first receive such advice or concurrence of Conduit or the Required Financial Institutions or all of the Purchasers, as applicable, as it deems appropriate and it shall first be indemnified to its satisfaction by the Purchasers, provided that unless and until the Agent shall have received such advice, the Agent may take or refrain from taking any action, as the Agent shall deem advisable and in the best interests of the Purchasers. The Agent shall in all cases be fully protected in acting, or in refraining from acting, in accordance with a request of Conduit or the Required Financial Institutions or all of the Purchasers, as applicable, and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Purchasers.

Section 11.5 Non-Reliance on Agent and Other Purchasers. Each Purchaser expressly acknowledges that neither the Agent, nor any of its officers, directors, employees, agents, attorneys-in-fact or affiliates has made any representations or warranties to it and that no act by the Agent hereafter taken, including, without limitation, any review of the affairs of any Seller Party, shall be deemed to constitute any representation or warranty by the Agent. Each Purchaser represents and warrants to the Agent that it has and will, independently and without reliance upon the Agent or any other Purchaser and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, operations, property, prospects, financial and other conditions and creditworthiness of Seller and made its own decision to enter into this Agreement, the other Transaction Documents and all other documents related hereto or thereto.

Section 11.6 Reimbursement and Indemnification. The Financial Institutions agree to reimburse and indemnify the Agent and its officers, directors, employees, representatives and agents ratably according to their Pro Rata Shares, to the extent not paid or reimbursed by the Seller Parties (i) for any amounts for which the Agent, acting in its capacity as Agent, is entitled to reimbursement by the Seller Parties hereunder and (ii) for any other expenses incurred by the Agent, in its capacity as Agent and acting on behalf of the Purchasers, in connection with the administration and enforcement of this Agreement and the other Transaction Documents.

Section 11.7 Agent in its Individual Capacity. The Agent and its Affiliates may make loans to, accept deposits from and generally engage in any kind of business with Seller or any Affiliate of Seller as though the Agent were not the Agent hereunder. With respect to the acquisition of Purchaser Interests pursuant to this Agreement, the Agent shall have the same rights and powers under this Agreement in its individual capacity as any Purchaser and may exercise the same as though it were not the Agent, and the terms "Financial Institution," "Purchaser," "Financial Institutions" and "Purchasers" shall include the Agent in its individual capacity.

Section 11.8 Successor Agent. The Agent may, upon five days' notice to Seller and the Purchasers, and the Agent will, upon the direction of all of the Purchasers (other than the Agent, in its individual capacity) resign as Agent. If the Agent shall resign, then the Required Financial Institutions during such five-day period shall appoint from among the Purchasers a successor agent. If for any reason no successor Agent is appointed by the Required Financial Institutions during such five-day period, then effective upon the termination of such five day period, the Purchasers shall perform all of the duties of the Agent hereunder and under the other Transaction Documents and Seller and the Servicer (as applicable) shall make all payments in respect of the Aggregate Unpaids directly to the applicable Purchasers and for all purposes shall deal directly with the Purchasers. After the effectiveness of any retiring Agent's resignation hereunder as Agent, the retiring Agent shall be discharged from its duties and obligations hereunder and under the other Transaction Documents and the provisions of this Article XI and Article X shall continue in effect for its benefit with respect to any actions taken or omitted to be taken by it while it was Agent under this Agreement and under the other Transaction Documents.

ARTICLE XII.
ASSIGNMENTS; PARTICIPATIONS

Section 12.1 Assignments.

(a) Seller and each Financial Institution hereby agree and consent to the complete or partial assignment by Conduit of all or any portion of its rights under, interest in, title to and obligations under this Agreement to the Financial Institutions pursuant to Section 13.1 or to any other commercial paper conduit administered by Bank One that issues commercial paper which is rated A-1 or better by Standard & Poor's Ratings Group and P-1 by Moody's Investor Service, Inc., and upon such assignment, Conduit shall be released from its obligations so assigned. Further, Seller and each Financial Institution hereby agree that any assignee of Conduit of this Agreement or all or any of the Purchaser Interests of Conduit shall have all of the rights and benefits under this Agreement as if the term "Conduit" explicitly referred to such party, and no such assignment shall in any way impair the rights and benefits of Conduit hereunder. Neither Seller nor the Servicer shall have the right to assign its rights or obligations under this Agreement.

(b) Any Financial Institution may at any time and from time to time assign to one or more Persons ("Purchasing Financial Institutions") all or any part of its rights and obligations under this Agreement pursuant to an assignment agreement, substantially in the form set forth in Exhibit V hereto (the "Assignment Agreement") executed by such Purchasing Financial Institution and such selling Financial Institution; provided, however, that the consent of Conduit shall be required prior to the effectiveness of any such assignment and, unless such assignment is required under Section 12.1(c), the consent of Seller shall be required prior to the effectiveness of any such assignment. Each assignee of a Financial Institution must (i) have a short-term debt rating of A-1 or better by Standard & Poor's Ratings Group and P-1 by Moody's Investor Service, Inc. and (ii) agree to deliver to the Agent, promptly following any request therefor by the Agent or Conduit, an enforceability opinion in form and substance satisfactory to the Agent and Conduit. Upon delivery of the executed Assignment Agreement to the Agent, such selling Financial Institution shall be released from its obligations hereunder to the extent of such assignment. Thereafter the Purchasing Financial Institution shall for all purposes be a Financial Institution party to this Agreement and shall have all the rights and obligations of a Financial Institution under this Agreement to the same extent as if it were an original party hereto and no further consent or action by Seller, the Purchasers or the Agent shall be required.

(c) Each of the Financial Institutions agrees that in the event that it shall cease to have a short-term debt rating of A-1 or better by Standard & Poor's Ratings Group and P-1 by Moody's Investor Service, Inc. (an "Affected Financial Institution"), such Affected Financial Institution shall be obliged, at the request of Conduit or the Agent, to assign all of its rights and obligations hereunder to (x) another Financial Institution or (y) another funding entity nominated by the Agent and acceptable to Conduit, and willing to participate in this Agreement through the Liquidity Termination Date in the place of such Affected Financial Institution; provided that the Affected Financial Institution receives payment in full, pursuant to an Assignment Agreement, of an amount equal to such Financial Institution's Pro Rata Share of the Aggregate Capital and Yield owing to the Financial Institutions and all accrued but unpaid fees and other costs and expenses payable in respect of its Pro Rata Share of the Purchaser Interests of the Financial Institutions.

Section 12.2 Participations. Any Financial Institution may, in the ordinary

course of its business at any time sell to one or more Persons (each, a "Participant") participating interests in its Pro Rata Share of the Purchaser Interests of the Financial Institutions, its obligation to pay Conduit its Acquisition Amounts or any other interest of such Financial Institution hereunder. Notwithstanding any such sale by a Financial Institution of a participating interest to a Participant, such Financial Institution's rights and obligations under this Agreement shall remain unchanged, such Financial Institution shall remain solely responsible for the performance of its obligations hereunder, and Seller, Conduit and the Agent shall continue to deal solely and directly with such Financial Institution in connection with such Financial Institution's rights and obligations under this Agreement. Each Financial Institution agrees that any agreement between such Financial Institution and any such Participant in respect of such participating interest shall not restrict such Financial Institution's right to agree to any amendment, supplement, waiver or modification to this Agreement, except for any amendment, supplement, waiver or modification described in Section 14.1(b)(i).

ARTICLE XIII.

LIQUIDITY FACILITY

Section 13.1 Transfer to Financial Institutions. Each Financial Institution hereby agrees, subject to Section 13.4, that immediately upon written notice from Conduit delivered on or prior to the Liquidity Termination Date, it shall acquire by assignment from Conduit, without recourse or warranty, its Pro Rata Share of one or more of the Purchaser Interests of Conduit as specified by Conduit. Each such assignment by Conduit shall be made pro rata among all of the Financial Institutions, except for pro rata assignments to one or more Terminating Financial Institutions pursuant to Section 13.6. Each such Financial Institution shall, no later than 1:00 p.m. (Chicago time) on the date of such assignment, pay in immediately available funds (unless another form of payment is otherwise agreed between Conduit and any Financial Institution) to the Agent at an account designated by the Agent, for the benefit of Conduit, its Acquisition Amount. Unless a Financial Institution has notified the Agent that it does not intend to pay its Acquisition Amount, the Agent may assume that such payment has been made and may, but shall not be obligated to, make the amount of such payment available to Conduit in reliance upon such assumption. Conduit hereby sells and assigns to the Agent for the ratable benefit of the Financial Institutions, and the Agent hereby purchases and assumes from Conduit, effective upon the receipt by Conduit of the Conduit Transfer Price, the Purchaser Interests of Conduit which are the subject of any transfer pursuant to this Article XIII.

Section 13.2 Transfer Price Reduction Yield. If the Adjusted Liquidity Price is included in the calculation of the Conduit Transfer Price for any Purchaser Interest, each Financial Institution agrees that the Agent shall pay to Conduit the Reduction Percentage of any Yield received by the Agent with respect to such Purchaser Interest.

Section 13.3 Payments to Conduit. In consideration for the reduction of the Conduit Transfer Prices by the Conduit Transfer Price Reductions, effective only at such time as the aggregate amount of the Capital of the Purchaser Interests of the Financial Institutions equals the Conduit Residual, each Financial Institution hereby agrees that the Agent shall not distribute to the Financial Institutions and shall immediately remit to Conduit any Yield, Asset Interest Collections or other payments received by it to be applied pursuant to the terms hereof or otherwise to reduce the Capital of the Purchaser Interests of the Financial Institutions.

Section 13.4 Limitation on Commitment to Purchase from Conduit. Notwithstanding anything to the contrary in this Agreement, no Financial Institution shall have any obligation to purchase any Purchaser Interest from Conduit, pursuant to Section 13.1 or otherwise, if:

(i) Conduit shall have voluntarily commenced any proceeding or filed any petition under any bankruptcy, insolvency or similar law seeking the dissolution, liquidation or reorganization of Conduit or taken any action for the purpose of effectuating any of the foregoing; or

(ii) involuntary proceedings or an involuntary petition shall have been commenced or filed against Conduit by any Person under any bankruptcy, insolvency or similar law seeking the dissolution, liquidation or reorganization of Conduit and such proceeding or petition shall have not been dismissed.

Section 13.5 Defaulting Financial Institutions. If one or more Financial Institutions defaults in its obligation to pay its Acquisition Amount pursuant to Section 13.1 (each such Financial Institution shall be called a "Defaulting Financial Institution" and the aggregate amount of such defaulted obligations being herein called the "Conduit Transfer Price Deficit"), then upon notice from the Agent, each Financial Institution other than the Defaulting Financial Institutions (a "Non-Defaulting Financial Institution") shall promptly pay to the Agent, in immediately available funds, an amount equal to the lesser of (x) such Non-Defaulting Financial Institution's proportionate share (based upon the relative Commitments of the Non-Defaulting Financial Institutions) of the Conduit Transfer Price Deficit and (y) the unused portion of such Non-Defaulting Financial Institution's Commitment. A Defaulting Financial Institution shall forthwith upon demand pay to the Agent for the account of the Non-Defaulting Financial Institutions all amounts paid by each Non-Defaulting Financial Institution on behalf of such Defaulting Financial Institution, together with interest thereon, for each day from the date a payment was made by a Non-Defaulting Financial Institution until the date such Non-Defaulting Financial Institution has been paid such amounts in full, at a rate per annum equal to the Federal Funds Effective Rate plus two percent (2%). In addition, without prejudice to any other rights that Conduit may have under applicable law, each Defaulting Financial Institution shall pay to Conduit forthwith upon demand, the difference between such Defaulting Financial Institution's unpaid Acquisition Amount and the amount paid with respect thereto by the

Non-Defaulting Financial Institutions, together with interest thereon, for each day from the date of the Agent's request for such Defaulting Financial Institution's Acquisition Amount pursuant to Section 13.1 until the date the requisite amount is paid to Conduit in full, at a rate per annum equal to the Federal Funds Effective Rate plus two percent (2%).

Section 13.6 Terminating Financial Institutions.

(a) Each Financial Institution hereby agrees to deliver written notice to the Agent not more than 30 Business Days and not less than 5 Business Days prior to the Liquidity Termination Date indicating whether such Financial Institution intends to renew its Commitment hereunder. If any Financial Institution fails to deliver such notice on or prior to the date that is 5 Business Days prior to the Liquidity Termination Date, such Financial Institution will be deemed to have declined to renew its Commitment (each Financial Institution which has declined or has been deemed to have declined to renew its Commitment hereunder, a "Non-Renewing Financial Institution"). The Agent shall promptly notify Conduit of each Non-Renewing Financial Institution and Conduit, in its sole discretion, may (A) to the extent of Commitment Availability, declare that such Non-Renewing Financial Institution's Commitment shall, to such extent, automatically terminate on a date specified by Conduit on or before the Liquidity Termination Date or (B) upon one (1) Business Days' notice to such Non-Renewing Financial Institution assign to such Non-Renewing Financial Institution on a date specified by Conduit its Pro Rata Share of the aggregate Purchaser Interests then held by Conduit, subject to, and in accordance with, Section 13.1. In addition, Conduit may, in its sole discretion, at any time (x) to the extent of Commitment Availability, declare that any Affected Financial Institution's Commitment shall automatically terminate on a date specified by Conduit or (y) assign to any Affected Financial Institution on a date specified by Conduit its Pro Rata Share of the aggregate Purchaser Interests then held by Conduit, subject to, and in accordance with, Section 13.1 (each Affected Financial Institution or each Non-Renewing Financial Institution is hereinafter referred to as a "Terminating Financial Institution"). The parties hereto expressly acknowledge that any declaration of the termination of any Commitment, any assignment pursuant to this Section 13.6 and the order of priority of any such termination or assignment among Terminating Financial Institutions shall be made by Conduit in its sole and absolute discretion.

(b) Upon any assignment to a Terminating Financial Institution as provided in this Section 13.6, any remaining Commitment of such Terminating Financial Institution shall automatically terminate. Upon reduction to zero of the Capital of all of the Purchaser Interests of a Terminating Financial Institution (after application of Asset Interest Collections thereto pursuant to Sections 2.2 and 2.3) all rights and obligations of such Terminating Financial Institution hereunder shall be terminated and such Terminating Financial Institution shall no longer be a "Financial Institution" hereunder; provided, however, that the provisions of Article X shall continue in effect for its benefit with respect to Purchaser Interests held by such Terminating Financial Institution prior to its termination as a Financial Institution.

ARTICLE XIV.

MISCELLANEOUS

Section 14.1 Waivers and Amendments.

(a) No failure or delay on the part of the Agent or any Purchaser in exercising any power, right or remedy under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any such power, right or remedy preclude any other further exercise thereof or the exercise of any other power, right or remedy. The rights and remedies herein provided shall be cumulative and nonexclusive of any rights or remedies provided by law. Any waiver of this Agreement shall be effective only in the specific instance and for the specific purpose for which given.

(b) No provision of this Agreement may be amended, supplemented, modified or waived except in writing in accordance with the provisions of this Section 14.1(b). Conduit, Seller and the Agent, at the direction of the Required Financial Institutions, may enter into written modifications or waivers of any provisions of this Agreement, provided, however, that no such modification or waiver shall:

(i) without the consent of each affected Purchaser, (A) extend the Liquidity Termination Date or the date of any payment or deposit of Asset Interest Collections by Seller or the Servicer, (B) reduce the rate or extend the time of payment of Yield or any CP Costs (or any component of Yield or CP Costs), (C) reduce any fee payable to the Agent for the benefit of the Purchasers, (D) except pursuant to Article XII hereof, change the amount of the Capital of any Purchaser, any Financial Institution's Pro Rata Share (except pursuant to Sections 13.1 or 13.5) or any Financial Institution's Commitment, (E) amend, modify or waive any provision of the definition of Required Financial Institutions or this Section 14.1(b), (F) consent to or permit the assignment or transfer by Seller of any of its rights and obligations under this Agreement, (G) change the definition of "Eligible Receivable," "Purchase Price," or "Adjusted Liquidity Price," or (H) amend or modify any defined term (or any defined term used directly or indirectly in such defined term) used in clauses (A) through (G) above in a manner that would circumvent the intention of the restrictions set forth in such clauses; or

(ii) without the written consent of the then Agent, amend, modify or waive any provision of this Agreement if the effect thereof is to affect the rights or duties of such Agent.

Notwithstanding the foregoing, (i) without the consent of the Financial Institutions, but with the consent of Seller, the Agent may amend this Agreement solely to add additional Persons as Financial Institutions hereunder and (ii) the Agent, the Required Financial Institutions and Conduit may enter into amendments to modify any of the terms or provisions of Article XI, Article XII,

Section 14.13 or any other provision of this Agreement without the consent of Seller, provided that such amendment has no negative impact upon Seller. Any modification or waiver made in accordance with this Section 14.1 shall apply to each of the Purchasers equally and shall be binding upon Seller, the Purchasers and the Agent.

Section 14.2 Notices. Except as provided in this Section 14.2, all communications and notices provided for hereunder shall be in writing (including bank wire, telecopy or electronic facsimile transmission or similar writing) and shall be given to the other parties hereto at their respective addresses or telecopy numbers set forth on the signature pages hereof or at such other address or telecopy number as such Person may hereafter specify for the purpose of notice to each of the other parties hereto. Each such notice or other communication shall be effective (i) if given by telecopy, upon the receipt thereof, (ii) if given by mail, three (3) Business Days after the time such communication is deposited in the mail with first class postage prepaid or (iii) if given by any other means, when received at the address specified in this Section 14.2. Seller hereby authorizes the Agent to effect purchases and Tranche Period and Discount Rate selections based on telephonic notices made by any Person whom the Agent in good faith believes to be acting on behalf of Seller. Seller agrees to deliver promptly to the Agent a written confirmation of each telephonic notice signed by an authorized officer of Seller; provided, however, the absence of such confirmation shall not affect the validity of such notice. If the written confirmation differs from the action taken by the Agent, the records of the Agent shall govern absent manifest error.

Section 14.3 Ratable Payments. If any Purchaser, whether by setoff or otherwise, has payment made to it with respect to any portion of the Aggregate Unpaids owing to such Purchaser (other than payments received pursuant to Section 10.2 or 10.3) in a greater proportion than that received by any other Purchaser entitled to receive a ratable share of such Aggregate Unpaids, such Purchaser agrees, promptly upon demand, to purchase for cash without recourse or warranty a portion of such Aggregate Unpaids held by the other Purchasers so that after such purchase each Purchaser will hold its ratable proportion of such Aggregate Unpaids; provided that if all or any portion of such excess amount is thereafter recovered from such Purchaser, such purchase shall be rescinded and the purchase price restored to the extent of such recovery, but without interest.

Section 14.4 Protection of Ownership Interests of the Purchasers.

(a) Seller agrees that from time to time, at its expense, it will promptly execute and deliver all instruments and documents, and take all actions, that may be necessary or desirable, or that the Agent may request, to perfect, protect or more fully evidence the Purchaser Interests, or to enable the Agent or the Purchasers to exercise and enforce their rights and remedies hereunder. At any time after the occurrence of an Amortization Event, the Agent may, or the Agent may direct Seller or the Servicer to, notify the Obligors of Pool Receivables, at Seller's expense, of the ownership or security interests of the Purchasers under this Agreement and may also direct that payments of all amounts due or that become due under any or all Receivables be made directly to the Agent or its designee. Seller or the Servicer (as applicable) shall, at any Purchaser's request, withhold the identity of such Purchaser in any such notification.

(b) If any Seller Party fails to perform any of its obligations hereunder: (i) the Agent or any Purchaser may (but shall not be required to) perform, or cause performance of, such obligations, and the Agent's or such Purchaser's costs and expenses incurred in connection therewith shall be payable by Seller as provided in Section 10.3, (ii)each Seller Party irrevocably authorizes the Agent at any time and from time to time in the sole discretion of the Agent, and appoints the Agent as its attorney-in-fact, to act on behalf of such Seller Party (A) to execute on behalf of Seller as debtor and to file financing statements necessary or desirable in the Agent's sole discretion to perfect and to maintain the perfection and priority of the interest of the Purchasers in the Pool Receivables and (B) to file a carbon, photographic or other reproduction of this Agreement or any financing statement with respect to the Asset Interest as a financing statement in such offices as the Agent in its sole discretion deems necessary or desirable to perfect and to maintain the perfection and priority of the interests of the Purchasers in the Asset Interest. The appointment in the preceding clause (ii) is coupled with an interest and is irrevocable.

Section 14.5 Confidentiality.

(a) Each Seller Party and each Purchaser shall maintain and shall cause each of its employees and officers to maintain the confidentiality of the Fee Letter and the other confidential or proprietary information with respect to the Agent and Conduit and their respective businesses obtained by it or them in connection with the structuring, negotiating and execution of the transactions contemplated herein, except that such Seller Party and such Purchaser and its officers and employees may disclose such information to such Seller Party's and such Purchaser's external accountants and attorneys and as required by any applicable law or order of any judicial or administrative proceeding.

(b) Anything herein to the contrary notwithstanding, each Seller Party hereby consents to the disclosure of any nonpublic information with respect to it (i) to the Agent, the Financial Institutions or Conduit by each other, (ii) by the Agent or the Purchasers to any prospective or actual assignee or participant of any of them and (iii) by the Agent to any rating agency, Commercial Paper dealer or provider of a surety, guaranty or credit or liquidity enhancement to Conduit or any entity organized for the purpose of purchasing, or making loans secured by, financial assets for which Bank One acts as the administrative agent and to any officers, directors, employees, outside accountants and attorneys of any of the foregoing, provided each such Person is informed of the confidential nature of such information. In addition, the Purchasers and the Agent may disclose any such nonpublic information pursuant to any law, rule, regulation, direction, request or order of any judicial, administrative or regulatory authority or proceedings (whether or not having the force or effect of law).

Section 14.6 Bankruptcy Petition. Seller, the Servicer, the Agent and each Financial Institution hereby covenants and agrees that, prior to the date that is one year and one day after the payment in full of all outstanding senior indebtedness of Conduit, it will not institute against, or join any other Person in instituting against, Conduit any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings or other similar proceeding under the laws of the United States or any state of the United States.

Section 14.7 Limitation of Liability. Except with respect to any claim arising out of the willful misconduct or gross negligence of Conduit, the Agent or any Financial Institution, no claim may be made by any Seller Party or any other Person against Conduit, the Agent or any Financial Institution or their respective Affiliates, directors, officers, employees, attorneys or agents for any special, indirect, consequential or punitive damages in respect of any claim for breach of contract or any other theory of liability arising out of or related to the transactions contemplated by this Agreement, or any act, omission or event occurring in connection therewith; and each Seller Party hereby waives, releases, and agrees not to sue upon any claim for any such damages, whether or not accrued and whether or not known or suspected to exist in its favor.

Section 14.8 CHOICE OF LAW. THIS AGREEMENT SHALL BE GOVERNED AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS (AND NOT THE LAW OF CONFLICTS) OF THE STATE OF NEW YORK.

Section 14.9 CONSENT TO JURISDICTION. EACH SELLER PARTY HEREBY IRREVOCABLY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF ANY UNITED STATES FEDERAL OR NEW YORK STATE COURT SITTING IN NEW YORK, NEW YORK IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY DOCUMENT EXECUTED BY SUCH PERSON PURSUANT TO THIS AGREEMENT AND EACH SELLER PARTY HEREBY IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN ANY SUCH COURT AND IRREVOCABLY WAIVES ANY OBJECTION IT MAY NOW OR HEREAFTER HAVE AS TO THE VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN SUCH A COURT OR THAT SUCH COURT IS AN INCONVENIENT FORUM. NOTHING HEREIN SHALL LIMIT THE RIGHT OF THE AGENT OR ANY PURCHASER TO BRING PROCEEDINGS AGAINST ANY SELLER PARTY IN THE COURTS OF ANY OTHER JURISDICTION. ANY JUDICIAL PROCEEDING BY ANY SELLER PARTY AGAINST THE AGENT OR ANY PURCHASER OR ANY AFFILIATE OF THE AGENT OR ANY PURCHASER INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH THIS AGREEMENT OR ANY DOCUMENT EXECUTED BY SUCH SELLER PARTY PURSUANT TO THIS AGREEMENT SHALL BE BROUGHT ONLY IN A COURT IN NEW YORK, NEW YORK.

Section 14.10 WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES TRIAL BY JURY IN ANY JUDICIAL PROCEEDING INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER (WHETHER SOUNDING IN TORT, CONTRACT OR OTHERWISE) IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH THIS AGREEMENT, ANY DOCUMENT EXECUTED BY ANY SELLER PARTY PURSUANT TO THIS AGREEMENT OR THE RELATIONSHIP ESTABLISHED HEREUNDER OR THEREUNDER.

Section 14.11 Integration; Binding Effect; Survival of Terms.

(a) This Agreement and each other Transaction Document contain the final and complete integration of all prior expressions by the parties hereto with respect to the subject matter hereof and shall constitute the entire agreement among the parties hereto with respect to the subject matter hereof superseding all prior oral or written understandings.

(b) This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns (including any trustee in bankruptcy). This Agreement shall create and constitute the continuing obligations of the parties hereto in accordance with its terms and shall remain in full force and effect until terminated in accordance with its terms; provided, however, that the rights and remedies with respect to (i) any breach of any representation and warranty made by any Seller Party pursuant to Article V, (ii) the indemnification and payment provisions of Article X, and Sections 14.5 and 14.6 shall be continuing and shall survive any termination of this Agreement.

Section 14.12 Counterparts; Severability; Section References. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and the same Agreement. Any provisions of this Agreement which are prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. Unless otherwise expressly indicated, all references herein to "Article," "Section," "Schedule" or "Exhibit" shall mean articles and sections of, and schedules and exhibits to, this Agreement.

Section 14.13 Bank One Roles. Each of the Financial Institutions acknowledges that Bank One acts, or may in the future act, (i) as administrative agent for Conduit or any Financial Institution, (ii) as issuing and paying agent for the Commercial Paper, (iii) to provide credit or liquidity enhancement for the timely payment for the Commercial Paper and (iv) to provide other services from time to time for Conduit or any Financial Institution (collectively, the "Bank One Roles"). Without limiting the generality of this Section 14.13, each Financial Institution hereby acknowledges and consents to any and all Bank One Roles and agrees that in connection with any Bank One Role, Bank One may take, or refrain from taking, any action that it, in its discretion, deems appropriate, including, without limitation, in its role as administrative agent for Conduit, and the giving of notice to the Agent of a mandatory purchase pursuant to Section 13.1.

Section 14.14 Characterization.

(a) It is the intention of the parties hereto that each purchase hereunder shall constitute and be treated as an absolute and irrevocable sale, which purchase

shall provide the applicable Purchaser with the full benefits of ownership of the applicable Purchaser Interest. Except as specifically provided in this Agreement, each sale of a Purchaser Interest hereunder is made without recourse to Seller; provided, however, that (i) Seller shall be liable to each Purchaser and the Agent for all representations, warranties, covenants and indemnities made by Seller pursuant to the terms of this Agreement, and (ii) such sale does not constitute and is not intended to result in an assumption by any Purchaser or the Agent or any assignee thereof of any obligation of Seller or Originator or any other person arising in connection with the Asset Interest or any other obligations of Seller or Originator.

(b) In addition to any ownership interest which the Agent may from time to time acquire pursuant hereto, to secure the prompt and complete payment of the Aggregate Unpaids, Seller hereby grants to the Agent for the ratable benefit of the Purchasers a valid and perfected security interest in all of Seller's right, title and interest, now existing or hereafter arising, in (i) the Asset Interest, (ii) the Facility Account, (iii) Seller's rights and remedies under the Receivables Interest Purchase Agreement, and (iv) all proceeds of any thereof prior to all other liens on and security interests therein. The Agent and the Purchasers shall have, in addition to the rights and remedies that they may have under this Agreement, all other rights and remedies provided to a secured creditor under the UCC and other applicable law, which rights and remedies shall be cumulative.

Signature pages follow

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered by their duly authorized officers as of the date hereof.

FERRELLGAS RECEIVABLES, LLC

By:
Name: Kevin T. Kelly
Title: Chief Financial Officer
Address: One Allen Center
500 Dallas Street, Suite 2700
Houston, TX 77002

Attention: John Briscoe
Phone: (713) 844-6309
Fax: (713) 844-6527

FERRELLGAS, L.P.

BY: FERRELLGAS, INC., ITS GENERAL PARTNER

By:
Name: Kevin T. Kelly
Title: Chief Financial Officer
Address: One Liberty Plaza
Liberty, MO 64068

Attention: Ken Heinz
Phone: (816) 792-6907
Fax: (816) 792-6979

JUPITER SECURITIZATION CORPORATION

By:
Leo V. Loughead
Authorized Signatory

Address: c/o Bank One, NA (Main Office Chicago), as Agent
Asset Backed Finance
Suite IL1-0079, 1-19
1 Bank One Plaza
Chicago, Illinois 60670-0079
Attention: Asset Backed Finance
Fax: (312) 732-1844

BANK ONE, NA (MAIN OFFICE CHICAGO),
as a Financial Institution and as Agent

By:
Name: Leo V. Loughead
Title: Vice President

Address: Bank One, NA (Main Office Chicago)
Asset Backed Finance
Suite IL1-0596, 1-21
1 Bank One Plaza
Chicago, Illinois 60670-0596
Attention: Asset Backed Finance
Fax: (312) 732-4487

EXHIBIT I

DEFINITIONS

As used in this Agreement:

(a) Capitalized terms used and not otherwise defined herein shall have the meanings attributed thereto in the Receivables Interest Sale Agreement (hereinafter defined); and

(b) The following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"Accrual Period" means each calendar month, provided that the initial Accrual Period hereunder means the period from (and including) the date of the initial purchase hereunder to (and including) the last day of the calendar month thereafter.

"Acquisition Amount" means, on the date of any purchase from Conduit of one or more Purchaser Interests pursuant to Section 13.1, with respect to each Financial Institution, the lesser of (i) such Financial Institution's Pro Rata Share of the sum of (A) the lesser of (1) the Adjusted Liquidity Price of each such Purchaser Interest and (2) the Capital of each such Purchaser Interest and (B) all accrued and unpaid CP Costs for each such Purchaser Interest and (ii) such Financial Institution's unused Commitment.

"Adjusted Liquidity Price" means, with respect to any Purchaser Interest transferred from Conduit to the Financial Institutions pursuant to Article XIII hereof, an amount equal to:

$$P \times \left((i)\ DC + (ii)\ \frac{NDR}{1.10} \right)$$

where:

P = the percentage of the Asset Interest represented by such Purchaser Interest.

DC = the Deemed Collections.

NDR = the Outstanding Balance of all Receivables included in the Purchaser Interests (regardless of whether they are Eligible Receivables on the date of determination) as to which any payment, or part thereof, has not remained unpaid for 91 days or more from the original due date for such payment.

Each of the foregoing shall be determined from the most recent Monthly Report received from the Servicer.

"Adverse Claim" means a lien, security interest, charge or encumbrance, or other right or claim in, of or on any Person's assets or properties in favor of any other Person.

"Affected Financial Institution" has the meaning specified in Section 12.1(c).

"Affiliate" means, with respect to any Person, any other Person directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person or any Subsidiary of such Person. A Person shall be deemed to control another Person if the controlling Person owns 10% or more of any class of voting securities of the controlled Person or possesses, directly or indirectly, the power to direct or cause the direction of the management or policies of the controlled Person, whether through ownership of stock, by contract or otherwise.

"Agent" has the meaning set forth in the preamble to this Agreement.

"Aggregate Capital" means, on any date of determination, the aggregate amount of Capital of all Purchaser Interests outstanding on such date.

"Aggregate Reduction" has the meaning specified in Section 1.3.

"Aggregate Unpaids" means, at any time, an amount equal to the sum of all accrued and unpaid fees under the Fee Letter, CP Costs, Yield, Aggregate Capital and all other unpaid Recourse Obligations (whether due or accrued) at such time.

"Agreement" means this Receivables Purchase Agreement, as it may be amended or modified and in effect from time to time.

"Amortization Date" means the earliest to occur of (i) the day on which any of the conditions precedent set forth in Section 6.2 are not satisfied, (ii) the Business Day immediately prior to the occurrence of an Amortization Event set forth in Section 9.1(d)(ii), (iii) the Business Day specified in a written notice from the Agent following the occurrence of any

other Amortization Event, and (iv) the date which is 5 Business Days after the Agent's receipt of written notice from Seller that it wishes to terminate the facility evidenced by this Agreement.

"Amortization Event" has the meaning specified in Article IX.

"Applicable Margin" means the Applicable Margin (as defined in the Credit Agreement) for Eurodollar Rate Loans (as defined in the Credit Agreement).

"Asset Interest" means, on any date of determination, the sum of the Receivables Interest and the Contributed Interest (each, as defined in the Receivables Interest Sale Agreement).

"Asset Interest Collections" means, on any date of determination, the Buyer's Percentage of all Collections.

"Assignment Agreement" has the meaning set forth in Section 12.1(b).

"Authorized Officer" means, with respect to any Person, its president, controller, treasurer or chief financial officer.

"Bank One" means Bank One, NA (Main Office Chicago) in its individual capacity and its successors.

"Blocked Account Agreement" means an agreement among Servicer or Seller, as applicable, the Agent and Wells Fargo Bank, N.A. with respect to the Servicer's Concentration Account or the Facility Account in form and substance reasonably satisfactory to the parties thereto.

"Broken Funding Costs" means for any Purchaser Interest which: (i) has its Capital reduced without compliance by Seller with the notice requirements hereunder or (ii) does not become subject to an Aggregate Reduction following the delivery of any Reduction Notice or (iii) is assigned under Article XIII or terminated prior to the date on which it was originally scheduled to end; an amount equal to the excess, if any, of (A) the CP Costs or Yield (as applicable) that would have accrued during the remainder of the Tranche Periods or the tranche periods for Commercial Paper determined by the Agent to relate to such Purchaser Interest (as applicable) subsequent to the date of such reduction, assignment or termination (or in respect of clause (ii) above, the date such Aggregate Reduction was designated to occur pursuant to the Reduction Notice) of the Capital of such Purchaser Interest if such reduction, assignment or termination had not occurred or such Reduction Notice had not been delivered, over (B) the sum of (x) to the extent all or a portion of such Capital is allocated to another Purchaser Interest, the amount of CP Costs or Yield actually accrued during the remainder of such period on such Capital for the new Purchaser Interest, and (y) to the extent such Capital is not allocated to another Purchaser Interest, the income, if any, actually received during the remainder of such period by the holder of such Purchaser Interest from investing the portion of such Capital not so allocated. In the event that the amount referred to in clause (B) exceeds the amount referred to in clause (A), the relevant Purchaser or Purchasers agree to pay to Seller the amount of such excess. All Broken Funding Costs shall be due and payable hereunder upon demand.

"Business Day" means any day on which banks are not authorized or required to close in New York, New York or Chicago, Illinois and The Depository Trust Company of New York is open for business, and, if the applicable Business Day relates to any computation or payment to be made with respect to the LIBO Rate, any day on which dealings in dollar deposits are carried on in the London interbank market.

"Capital" of any Purchaser Interest means, at any time, (A) the Purchase Price of such Purchaser Interest, minus (B) the sum of the aggregate amount of Asset Interest Collections and other payments received by the Agent which in each case are applied to reduce such Capital in accordance with the terms and conditions of this Agreement; provided that such Capital shall be restored (in accordance with Section 2.5) in the amount of any Asset Interest Collections or other payments so received and applied if at any time the distribution of such Asset Interest Collections or payments are rescinded, returned or refunded for any reason.

"Change of Control" means (a) a Change of Control under and as defined in the Receivables Interest Sale Agreement, or (b) Ferrellgas ceases to own 100% of the outstanding Equity Interests of Seller.

"Charged-Off Receivable" means a Receivable: (i) as to which the Obligor thereof has taken any action, or suffered any event to occur, of the type described in Section 9.1(d) (as if references to Seller Party therein refer to such Obligor); (ii) as to which the Obligor thereof, if a natural person, is deceased, (iii) which, consistent with the Credit and Collection Policy, would be written off Seller's books as uncollectible, (iv) which has been identified by Seller as uncollectible or (v) as to which any payment, or part thereof, remains unpaid for more than 180 days from the original invoice date for such payment.

"Charged-Off Trigger Ratio" means, as of any Cut-Off Date, the ratio (expressed as a percentage) computed by dividing (x) the total amount of Receivables that became Charged-Off Receivables during the Measurement Period ending on such Cut-Off Date, by (y) the aggregate monthly sales for the 6 months ending on such Cut-Off Date.

"Collection Account" means each concentration account, depositary account, lock-box account or similar account in which any Asset Interest Collections are collected or deposited.

"Collection Notice" means a notice in the form attached to the Blocked Account Agreements from the Agent to Wells Fargo Bank, N.A. terminating the Servicer's authority to make withdrawals from the Servicer's Concentration

Account or Seller's authority to make withdrawals from the Facility Account.

"Commercial Paper" means promissory notes of Conduit issued by Conduit in the commercial paper market.

"Commitment" means, for each Financial Institution, the commitment of such Financial Institution to purchase Purchaser Interests from (i) Seller and (ii) Conduit, in an amount not to exceed (i) in the aggregate, the amount set forth opposite such Financial Institution's name on Schedule A to this Agreement, as such amount may be modified in accordance with the terms hereof (including, without limitation, any termination of Commitments pursuant to Section 13.6 hereof) and (ii) with respect to any individual purchase hereunder, its Pro Rata Share of the Purchase Price therefor.

"Commitment Availability" means at any time the positive difference (if any) between (a) an amount equal to the aggregate amount of the Commitments at such time minus (b) the Aggregate Capital at such time.

"Conduit" has the meaning set forth in the preamble to this Agreement.

"Conduit Residual" means the sum of the Conduit Transfer Price Reductions.

"Conduit Transfer Price" means, with respect to the assignment by Conduit of one or more Purchaser Interests to the Agent for the benefit of one or more of the Financial Institutions pursuant to Section 13.1, the sum of (i) the lesser of (a) the Capital of each such Purchaser Interest and (b) the Adjusted Liquidity Price of each such Purchaser Interest and (ii) all accrued and unpaid CP Costs for each such Purchaser Interest.

"Conduit Transfer Price Deficit" has the meaning set forth in Section 13.5.

"Conduit Transfer Price Reduction" means in connection with the assignment of a Purchaser Interest by Conduit to the Agent for the benefit of the Financial Institutions, the positive difference (if any) between (i) the Capital of such Purchaser Interest and (ii) the Adjusted Liquidity Price for such Purchaser Interest.

"Contingent Obligation" of a Person means any agreement, undertaking or arrangement by which such Person assumes, guarantees, endorses, contingently agrees to purchase or provide funds for the payment of, or otherwise becomes or is contingently liable upon, the obligation or liability of any other Person, or agrees to maintain the net worth or working capital or other financial condition of any other Person, or otherwise assures any creditor of such other Person against loss, including, without limitation, any comfort letter, operating agreement, take-or-pay contract or application for a letter of credit.

"CP Costs" means, for each day, the sum of (i) discount or yield accrued on Pooled Commercial Paper on such day, plus (ii) any and all accrued commissions in respect of placement agents and Commercial Paper dealers, and issuing and paying agent fees incurred, in respect of such Pooled Commercial Paper for such day, plus (iii) other costs associated with funding small or odd-lot amounts with respect to all receivable purchase facilities which are funded by Pooled Commercial Paper for such day, minus (iv) any accrual of income net of expenses received on such day from investment of collections received under all receivable purchase facilities funded substantially with Pooled Commercial Paper, minus (v) any payment received on such day net of expenses in respect of Broken Funding Costs related to the prepayment of any Purchaser Interest of Conduit pursuant to the terms of any receivable purchase facilities funded substantially with Pooled Commercial Paper. In addition to the foregoing costs, if Seller shall request any Incremental Purchase during any period of time determined by the Agent in its sole discretion to result in incrementally higher CP Costs applicable to such Incremental Purchase, the Capital associated with any such Incremental Purchase shall, during such period, be deemed to be funded by Conduit in a special pool (which may include capital associated with other receivable purchase facilities) for purposes of determining such additional CP Costs applicable only to such special pool and charged each day during such period against such Capital.

"Credit and Collection Policy" means Originator's credit and collection policies and practices relating to Contracts and Receivables existing on the date hereof and summarized in Exhibit IV to the Receivables Interest Sale Agreement, as modified from time to time in accordance with this Agreement.

"Cut-Off Date" means August 31, 2000 and the last day of each calendar month thereafter.

"Deemed Collections" means the aggregate of all amounts Seller shall have been deemed to have received as an Asset Interest Collection of a Receivable. Seller shall be deemed to have received an Asset Interest Collection in full of a Receivable if at any time (i) the Outstanding Balance of any such Receivable is either (x) reduced as a result of any defective or rejected goods or services, any discount or any adjustment or otherwise by Seller (other than cash Asset Interest Collections on account of the Receivables) or (y) reduced or canceled as a result of a setoff in respect of any claim by any Person (whether such claim arises out of the same or a related transaction or an unrelated transaction) or (ii) any of the representations or warranties in Article V are no longer true with respect to any Receivable.

"Default Fee" means with respect to any amount due and payable by Seller in respect of any Aggregate Unpaids, an amount equal to the greater of (i) $1000 and (ii) interest on any such unpaid Aggregate Unpaids at a rate per annum equal to 2% above the Prime Rate.

"Defaulting Financial Institution" has the meaning set forth in Section 13.5.

"Delinquency Trigger Ratio" means, as of any Cut-Off Date, the

ratio (expressed as a percentage) computed by dividing (i) the aggregate Outstanding Balance of all Receivables that are Delinquent Receivables as of such Cut-Off Date, by (ii) the aggregate Outstanding Balance of all Receivables as of such Cut-Off Date.

"Delinquent Receivable" means a Receivable as to which any payment, or part thereof, remains unpaid for more than 60 days from the original invoice date but not more than 90 days from the original invoice date for such payment.

"Dilution Trigger Ratio" means a percentage equal to a fraction, the numerator of which is the total amount of decreases in Outstanding Balances of the Receivables due to Dilutions during the most recent Measurement Period, and the denominator of which is the amount of sales generated by the Originators during the Measurement Period one month prior to the most recent Measurement Period.

"Dilutions" means, at any time, the aggregate amount of reductions or cancellations described in clause (i) of the definition of "Deemed Collections".

"Discount Rate" means, the LIBO Rate or the Prime Rate, as applicable, with respect to each Purchaser Interest of the Financial Institutions.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time.

"Facility Account" means Seller's account no. 4496823691 at Wells Fargo Bank, N.A.

"Facility Termination Date" means the earlier of (i) the Liquidity Termination Date and (ii) the Amortization Date.

"Federal Bankruptcy Code" means Title 11 of the United States Code entitled "Bankruptcy," as amended and any successor statute thereto.

"Federal Funds Effective Rate" means, for any period, a fluctuating interest rate per annum for each day during such period equal to (a) the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published for such day (or, if such day is not a Business Day, for the preceding Business Day) by the Federal Reserve Bank of New York in the Composite Closing Quotations for U.S. Government Securities; or (b) if such rate is not so published for any day which is a Business Day, the average of the quotations at approximately 10:30 a.m. (Chicago time) for such day on such transactions received by the Agent from three federal funds brokers of recognized standing selected by it.

"Fee Letter" means that certain letter agreement dated as of the date hereof between Seller and the Agent, as it may be amended or modified and in effect from time to time.

"Ferrellgas" has the meaning set forth in the preamble in this Agreement.

"Financial Institutions" has the meaning set forth in the preamble in this Agreement.

"Funding Agreement" means this Agreement and any agreement or instrument executed by any Funding Source with or for the benefit of Conduit.

"Funding Source" means (i) any Financial Institution or (ii) any insurance company, bank or other funding entity providing liquidity, credit enhancement or back-up purchase support or facilities to Conduit.

"GAAP" means generally accepted accounting principles in effect in the United States of America as of the date of this Agreement.

"Incremental Purchase" means a purchase of one or more Purchaser Interests which increases the total outstanding Aggregate Capital hereunder.

"Indebtedness" of a Person means such Person's (i) obligations for borrowed money, (ii) obligations representing the deferred purchase price of property or services (other than accounts payable arising in the ordinary course of such Person's business payable on terms customary in the trade), (iii) obligations, whether or not assumed, secured by liens or payable out of the proceeds or production from property now or hereafter owned or acquired by such Person, (iv) obligations which are evidenced by notes, acceptances, or other instruments, (v) capitalized lease obligations, (vi) net liabilities under interest rate swap, exchange or cap agreements, (vii) Contingent Obligations and (viii) liabilities in respect of unfunded vested benefits under plans covered by Title IV of ERISA.

"Independent Director" shall mean a member of the Board of Directors of Seller who is not at such time, and has not been at any time during the preceding five (5) years, (A) a director, officer, employee or affiliate of Seller, Originator, or any of their respective Subsidiaries or Affiliates, or (B) the beneficial owner (at the time of such individual's appointment as an Independent Director or at any time thereafter while serving as an Independent Director) of any of the outstanding common shares of Seller, Originator, or any of their respective Subsidiaries or Affiliates, having general voting rights;

"LIBO Rate" means the rate per annum equal to the sum of (i) (a) the applicable British Bankers' Association Interest Settlement Rate for deposits in U.S. dollars appearing on Reuters Screen FRBD as of 12:00 noon (London time) two Business Days prior to the first day of the relevant Tranche Period, and having a maturity equal to such Tranche Period, provided that, (i) if Reuters Screen FRBD is not available to the Agent for any reason, the

applicable LIBO Rate for the relevant Tranche Period shall instead be the applicable British Bankers' Association Interest Settlement Rate for deposits in U.S. dollars as reported by any other generally recognized financial information service as of 12:00 noon (London time) two Business Days prior to the first day of such Tranche Period, and having a maturity equal to such Tranche Period, and (ii) if no such British Bankers' Association Interest Settlement Rate is available to the Agent, the applicable LIBO Rate for the relevant Tranche Period shall instead be the rate determined by the Agent to be the rate at which Bank One offers to place deposits in U.S. dollars with first-class banks in the London interbank market at approximately 12:00 noon (London time) two Business Days prior to the first day of such Tranche Period, in the approximate amount to be funded at the LIBO Rate and having a maturity equal to such Tranche Period, divided by (b) one minus the maximum aggregate reserve requirement (including all basic, supplemental, marginal or other reserves) which is imposed against the Agent in respect of Eurocurrency liabilities, as defined in Regulation D of the Board of Governors of the Federal Reserve System as in effect from time to time (expressed as a decimal), applicable to such Tranche Period plus (ii) the Applicable Margin. The LIBO Rate shall be rounded, if necessary, to the next higher 1/16 of 1%.

"Liquidity Termination Date" means September 25, 2001.

"Lock-Box" means each locked postal box with respect to which a bank has been granted exclusive access for the purpose of retrieving and processing payments made on the Pool Receivables.

"Material Adverse Effect" means a material adverse effect on (i) the financial condition or operations of any Seller Party and its Subsidiaries, (ii) the ability of any Seller Party to perform its obligations under this Agreement, (iii) the legality, validity or enforceability of this Agreement or any other Transaction Document, (iv) any Purchaser's interest in the Pool Receivables generally or in any significant portion of the Pool Receivables, the Related Security or the Asset Interest Collections with respect thereto, or (v) the collectibility of the Pool Receivables generally or of any material portion of the Pool Receivables.

"Measurement Period" means a calendar month.

"Monthly Report" means a report, in substantially the form of Exhibit VI hereto (appropriately completed), furnished by the Servicer to the Agent pursuant to Section 8.5.

"Monthly Reporting Date" has the meaning set forth in Section 8.5.

"Net Asset Interest Balance" means, at any time, the Buyer's Percentage of the aggregate Outstanding Balance of all Pool Receivables that are Eligible Receivables at such time.

"Non-Defaulting Financial Institution" has the meaning set forth in Section 13.5.

"Non-Renewing Financial Institution" has the meaning set forth in Section 13.6(a).

"Originator" means Ferrellgas, in its capacity as seller under the Receivables Interest Sale Agreement.

"Participant" has the meaning set forth in Section 12.2.

"Person" means an individual, partnership, corporation (including a business trust), limited liability company, joint stock company, trust, unincorporated association, joint venture or other entity, or a government or any political subdivision or agency thereof.

"Pooled Commercial Paper" means Commercial Paper notes of Conduit subject to any particular pooling arrangement by Conduit, but excluding Commercial Paper issued by Conduit for a tenor and in an amount specifically requested by any Person in connection with any agreement effected by Conduit.

"Potential Amortization Event" means an event which, with the passage of time or the giving of notice, or both, would constitute an Amortization Event.

"Prime Rate" means a rate per annum equal to the prime rate of interest announced from time to time by Bank One or its parent (which is not necessarily the lowest rate charged to any customer), changing when and as said prime rate changes.

"Pro Rata Share" means, for each Financial Institution, a percentage equal to (i) the Commitment of such Financial Institution, divided by (ii) the aggregate amount of all Commitments of all Financial Institutions hereunder, adjusted as necessary to give effect to the application of the terms of Sections 13.5 or 13.6.

"Proposed Reduction Date" has the meaning set forth in Section 1.3.

"Purchase Limit" means $60,000,000.

"Purchase Notice" has the meaning set forth in Section 1.2.

"Purchase Price" means, with respect to any Incremental Purchase of a Purchaser Interest, the amount paid to Seller for such Purchaser Interest which shall not exceed the least of (i) the amount requested by Seller in the applicable Purchase Notice, (ii) the unused portion of the Purchase Limit on the applicable purchase date and (iii) the excess, if any, of 80% of the Net Asset Interest Balance on the applicable purchase date over the aggregate outstanding amount of Aggregate Capital determined as of the date of the most recent Monthly Report, taking into account such proposed Incremental Purchase.

"Purchasers" means Conduit and the Financial Institutions.

"Purchaser Interest" means, at any time, a portion of an aggregate undivided 100% ownership interest in the Asset Interest associated with a designated amount of Capital, selected pursuant to the terms and conditions hereof.

"Purchasing Financial Institution" has the meaning set forth in Section 12.1(b).

"Receivables Interest Sale Agreement" means that certain Receivables Interest Sale Agreement, dated as of September 26, 2000, between Originator and Seller, as the same may be amended, restated or otherwise modified from time to time.

"Recourse Obligations" shall have the meaning set forth in Section 2.1.

"Reduction Notice" has the meaning set forth in Section 1.3.

"Reduction Percentage" means, for any Purchaser Interest acquired by the Financial Institutions from Conduit for less than the Capital of such Purchaser Interest, a percentage equal to a fraction the numerator of which is the Conduit Transfer Price Reduction for such Purchaser Interest and the denominator of which is the Capital of such Purchaser Interest.

"Regulatory Change" has the meaning set forth in Section 10.2(a).

"Reinvestment" has the meaning set forth in Section 2.2.

"Required Financial Institutions" means, at any time, Financial Institutions with Commitments in excess of 66-2/3% of the Purchase Limit.

"Required Notice Period" means two (2) Business Days.

"Restricted Junior Payment" means (i) any dividend or other distribution, direct or indirect, on account of any shares of any class of capital stock of Seller now or hereafter outstanding, except a dividend payable solely in shares of that class of stock or in any junior class of stock of Seller, (ii) any redemption, retirement, sinking fund or similar payment, purchase or other acquisition for value, direct or indirect, of any shares of any class of capital stock of Seller now or hereafter outstanding, (iii) any payment or prepayment of principal of, premium, if any, or interest, fees or other charges on or with respect to, and any redemption, purchase, retirement, defeasance, sinking fund or similar payment and any claim for rescission with respect to the Subordinated Loans (as defined in the Receivables Interest Sale Agreement), (iv) any payment made to redeem, purchase, repurchase or retire, or to obtain the surrender of, any outstanding warrants, options or other rights to acquire shares of any class of capital stock of Seller now or hereafter outstanding, and (v) any payment of management fees by Seller (except for reasonable management fees to the Originator or its Affiliates in reimbursement of actual management services performed).

"Seller" has the meaning set forth in the preamble to this Agreement.

"Seller Parties" has the meaning set forth in the preamble to this Agreement.

"Servicer" means at any time the Person (which may be the Agent) then authorized pursuant to Article VIII to service, administer and collect Receivables.

"Settlement Date" means (A) the second Business Day after each Monthly Reporting Date, and (B) the last day of the relevant Tranche Period in respect of each Purchaser Interest of the Financial Institutions.

"Settlement Period" means (A) in respect of each Purchaser Interest of Conduit, the immediately preceding Accrual Period, and (B) in respect of each Purchaser Interest of the Financial Institutions, the entire Tranche Period of such Purchaser Interest.

"Subsidiary" of a Person means (i) any corporation more than 50% of the outstanding securities having ordinary voting power of which shall at the time be owned or controlled, directly or indirectly, by such Person or by one or more of its Subsidiaries or by such Person and one or more of its Subsidiaries, or (ii) any partnership, association, limited liability company, joint venture or similar business organization more than 50% of the ownership interests having ordinary voting power of which shall at the time be so owned or controlled. Unless otherwise expressly provided, all references herein to a "Subsidiary" shall mean a Subsidiary of Seller.

"Termination Date" has the meaning set forth in Section 2.2.

"Termination Percentage" has the meaning set forth in Section 2.2.

"Terminating Financial Institution" has the meaning set forth in Section 13.6(a).

"Terminating Tranche" has the meaning set forth in Section 4.3(b).

"Tranche Period" means, with respect to any Purchaser Interest held by a Financial Institution:

(a) if Yield for such Purchaser Interest is calculated on the basis of the LIBO Rate, a period of one, two, three or six months, or such other period as may be mutually agreeable to the Agent and Seller, commencing on a Business Day selected by Seller or the Agent pursuant

to this Agreement. Such Tranche Period shall end on the day in the applicable succeeding calendar month which corresponds numerically to the beginning day of such Tranche Period, provided, however, that if there is no such numerically corresponding day in such succeeding month, such Tranche Period shall end on the last Business Day of such succeeding month; or

(b) if Yield for such Purchaser Interest is calculated on the basis of the Prime Rate, a period commencing on a Business Day selected by Seller, provided no such period shall exceed one month.

If any Tranche Period would end on a day which is not a Business Day, such Tranche Period shall end on the next succeeding Business Day, provided, however, that in the case of Tranche Periods corresponding to the LIBO Rate, if such next succeeding Business Day falls in a new month, such Tranche Period shall end on the immediately preceding Business Day. In the case of any Tranche Period for any Purchaser Interest which commences before the Amortization Date and would otherwise end on a date occurring after the Amortization Date, such Tranche Period shall end on the Amortization Date. The duration of each Tranche Period which commences after the Amortization Date shall be of such duration as selected by the Agent.

"Transaction Documents" means, collectively, this Agreement, each Purchase Notice, the Receivables Interest Sale Agreement, the Fee Letter, the Subordinated Note (as defined in the Receivables Interest Sale Agreement) and all other instruments, documents and agreements executed and delivered in connection herewith.

"UCC" means the Uniform Commercial Code as from time to time in effect in the specified jurisdiction.

"Yield" means for each respective Tranche Period relating to Purchaser Interests of the Financial Institutions, an amount equal to the product of the applicable Discount Rate for each Purchaser Interest multiplied by the Capital of such Purchaser Interest for each day elapsed during such Tranche Period, annualized on a 360 day basis in the case of Yield computed at a LIBO Rate and on a 365 (or, when appropriate, 366) day basis in the case of Yield computed at the Prime Rate.

(c) All accounting terms not specifically defined herein shall be construed in accordance with GAAP.

(d) All terms used in Article 9 of the UCC in the State of New York, and not specifically defined herein, are used herein as defined in such Article 9.

EXHIBIT II

FORM OF PURCHASE NOTICE

[DATE]

Bank One, NA (Main Office Chicago), as Agent
1 Bank One Plaza, 21st Floor
Asset-Backed Finance
Chicago, Illinois 60670-0596
Attention: Conduit Administrator, Jupiter Securitization Corporation

Re: PURCHASE NOTICE

Ladies and Gentlemen:

Reference is hereby made to the Receivables Purchase Agreement, dated as of September 26, 2000, by and among Ferrellgas Receivables, LLC, a Delaware limited liability company ("Seller"), between Ferrellgas, L.P., a Delaware limited partnership, as Servicer, the Financial Institutions, Jupiter Securitization Corporation ("Conduit"), and Bank One, NA (Main Office Chicago), as Agent (the "Receivables Purchase Agreement"). Capitalized terms used herein shall have the meanings assigned to such terms in the Receivables Purchase Agreement.

The Agent is hereby notified of the following Incremental Purchase:

Purchase Price: $
Date of Purchase:
Requested Discount Rate: [LIBO Rate] [Prime Rate] [Pooled Commercial Paper rate]

Please credit the Purchase Price in immediately available funds to our Facility Account [and then wire-transfer the Purchase Price in immediately available funds on the above-specified date of purchase to:

[Account Name]
[Account No.]
[Bank Name & Address]
[ABA #]
Reference:
Telephone advice to: [Name] @ tel. No. ( )

Please advise [Name] at telephone no ( ) _____ if Conduit will not be making this purchase.

In connection with the Incremental Purchase to be made on the above listed "Date of Purchase" (the "Purchase Date"), the Seller hereby certifies that the following statements are true on the date hereof, and will be true on the Purchase Date (before and after giving effect to the proposed Incremental Purchase):

(i) the representations and warranties of the Seller set forth in Section 5.1 of the Receivables Purchase Agreement are true and correct on and as of the Purchase Date as though made on and as of such date;

(ii) no event has occurred and is continuing, or would result from the proposed Incremental Purchase, that will constitute an Amortization Event or a Potential Amortization Event;

(iii) the Facility Termination Date has not occurred, the Aggregate Capital does not exceed the Purchase Limit and the aggregate Purchaser Interests do not exceed 100%; and

(iv) the amount of Aggregate Capital is $_____ after giving effect to the Incremental Purchase to be made on the Purchase Date.

Very truly yours,

FERRELLGAS RECEIVABLES, LLC

By:
Name:
Title:

EXHIBIT III

PRINCIPAL PLACES OF BUSINESS AND CHIEF EXECUTIVE OFFICES OF THE SELLER PARTIES; LOCATIONS OF RECORDS; FEDERAL EMPLOYER IDENTIFICATION NUMBER(S)

Places of Business:

Seller:	Principal Place of Business and Chief Executive Office One Allen Center 500 Dallas Street, Suite 2700 Houston, TX 77002
Servicer:	Principal Place of Business and Chief Executive Office One Liberty Plaza Liberty, Missouri 64068

Locations of Records:

Seller:	Seller's and Servicer's addresses above
Servicer:	Seller's and Servicer's addresses above

Federal Employer Identification Numbers:

Seller:	43-1698481
Servicer:	43-1698481

EXHIBIT IV

FORM OF COMPLIANCE CERTIFICATE

To: Bank One, NA (Main Office Chicago), as Agent

This Compliance Certificate is furnished pursuant to that certain Receivables Purchase Agreement dated as of September 26, 2000, among Ferrellgas Receivables, LLC (the "Seller"), Ferrellgas, L.P. (the "Servicer"), the Purchasers party thereto and Bank One, NA (Main Office Chicago), as agent for such Purchasers (the "Agreement").

THE UNDERSIGNED HEREBY CERTIFIES THAT:

1. I am the duly elected _____ of Seller.

2. I have reviewed the terms of the Agreement and I have made, or have caused to be made under my supervision, a detailed review of the transactions and conditions of Seller and its Subsidiaries during the accounting period covered by the attached financial statements.

3. The examinations described in paragraph 2 did not disclose, and I have no knowledge of, the existence of any condition or event which constitutes an Amortization Event or Potential Amortization Event, as each such term is defined under the Agreement, during or at the end of the accounting period covered by the attached financial statements or as of the date of this Certificate, except as set forth in paragraph 5 below.

4. Schedule I attached hereto sets forth financial data and computations evidencing the compliance with certain covenants of the Agreement, all of which data and computations are true, complete and correct.

5. Described below are the exceptions, if any, to paragraph 3 by listing, in detail, the nature of the condition or event, the period during which it has existed and the action which Seller has taken, is taking, or proposes to take with respect to each such condition or event:

THE FOREGOING CERTIFICATIONS, TOGETHER WITH THE COMPUTATIONS SET FORTH IN SCHEDULE I HERETO AND THE FINANCIAL STATEMENTS DELIVERED WITH THIS CERTIFICATE IN SUPPORT HEREOF, ARE MADE AND DELIVERED THIS _____ DAY OF _____, __ .

BY:_____
NAME:
TITLE:

SCHEDULE I TO COMPLIANCE CERTIFICATE

A. Schedule of Compliance as of [Date] with Section 9.1(f) of the Agreement. Unless otherwise defined herein, the terms used in this Compliance Certificate have the meanings ascribed thereto in the Agreement.

This schedule relates to the month ended: _____

EXHIBIT V

FORM OF ASSIGNMENT AGREEMENT

THIS ASSIGNMENT AGREEMENT (this "Assignment Agreement") is entered into as of the ___ day of _____, ____, by and between _____ ("Assignor") and _____ ("Assignee").

PRELIMINARY STATEMENTS

A. This Assignment Agreement is being executed and delivered in accordance with Section 12.1(b) of that certain Receivables Purchase Agreement dated as of September 26, 2000 by and among Ferrellgas Receivables, LLC, Ferrellgas, L.P., as Servicer, Jupiter Securitization Corporation, Bank One, NA (Main Office Chicago), as Agent, and the Financial Institutions party thereto (as amended, modified or restated from time to time, the "Purchase Agreement"). Capitalized terms used and not otherwise defined herein are used with the meanings set forth or incorporated by reference in the Purchase Agreement.

B. Assignor is a Financial Institution party to the Purchase Agreement, and Assignee
wishes to become a Financial Institution thereunder; and

C. Assignor is selling and assigning to Assignee an undivided _____% (the "Transferred Percentage") interest in all of Assignor's rights and obligations under the Purchase Agreement and the Transaction Documents, including, without limitation, Assignor's Commitment and (if applicable) the Capital of Assignor's Purchaser Interests as set forth herein.

AGREEMENT

The parties hereto hereby agree as follows:

1. The sale, transfer and assignment effected by this Assignment Agreement shall become effective (the "Effective Date") two (2) Business Days (or such other date selected by the Agent in its sole discretion) following the date on which a notice substantially in the form of Schedule II to this Assignment Agreement ("Effective Notice") is delivered by the Agent to Conduit, Assignor and Assignee. From and after the Effective Date, Assignee shall be a Financial Institution party to the Purchase Agreement for all purposes thereof as if Assignee were an original party thereto and Assignee agrees to be bound by all of the terms and provisions contained therein.

2. If Assignor has no outstanding Capital under the Purchase Agreement, on the Effective Date, Assignor shall be deemed to have hereby transferred and assigned to Assignee, without recourse, representation or warranty (except as provided in paragraph 6 below), and the Assignee shall be deemed to have hereby irrevocably taken, received and assumed from Assignor, the Transferred Percentage of Assignor's Commitment and all rights and obligations associated therewith under the terms of the Purchase Agreement, including, without limitation, the Transferred Percentage of Assignor's future funding obligations under Section 4.1 of the Purchase Agreement.

3. If Assignor has any outstanding Capital under the Purchase Agreement, at or before 12:00 noon, local time of Assignor, on the Effective Date Assignee shall pay to Assignor, in immediately available funds, an amount equal to the sum of (i) the Transferred Percentage of the outstanding Capital of Assignor's Purchaser Interests (such amount, being hereinafter referred to as the "Assignee's Capital"); (ii) all accrued but unpaid (whether or not then due) Yield attributable to Assignee's Capital; and (iii) accruing but unpaid fees and other costs and expenses payable in respect of Assignee's Capital for the period commencing upon each date such unpaid amounts commence accruing, to and including the Effective Date (the "Assignee's Acquisition Cost"); whereupon, Assignor shall be deemed to have sold, transferred and assigned to Assignee, without recourse, representation or warranty (except as provided in paragraph 6 below), and Assignee shall be deemed to have hereby irrevocably taken, received and assumed from Assignor, the Transferred Percentage of Assignor's Commitment and the Capital of Assignor's Purchaser Interests (if applicable) and all related rights and obligations under the Purchase Agreement and the Transaction Documents, including, without limitation, the Transferred Percentage of Assignor's future funding obligations under Section 4.1 of the Purchase Agreement.

4. Concurrently with the execution and delivery hereof, Assignor will provide to Assignee copies of all documents requested by Assignee which were delivered to Assignor pursuant to the Purchase Agreement.

5. Each of the parties to this Assignment Agreement agrees that at any time and from time to time upon the written request of any other party, it will execute and deliver such further documents and do such further acts and things as such other party may reasonably request in order to effect the purposes of this Assignment Agreement.

6. By executing and delivering this Assignment Agreement, Assignor and Assignee confirm to and agree with each other, the Agent and the Financial Institutions as follows: (a) other than the representation and warranty that it has not created any Adverse Claim upon any interest being transferred hereunder, Assignor makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made by any other Person in or in connection with the Purchase Agreement or the Transaction Documents or the execution, legality, validity, enforceability, genuineness, sufficiency or value of Assignee, the Purchase Agreement or any other instrument or document furnished pursuant thereto or the perfection, priority, condition,

value or sufficiency of any collateral; (b) Assignor makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Seller, any Obligor, any Affiliate of the Seller or the performance or observance by the Seller, any Obligor, any Affiliate of the Seller of any of their respective obligations under the Transaction Documents or any other instrument or document furnished pursuant thereto or in connection therewith; (c) Assignee confirms that it has received a copy of the Purchase Agreement and copies of such other Transaction Documents, and other documents and information as it has requested and deemed appropriate to make its own credit analysis and decision to enter into this Assignment Agreement; (d) Assignee will, independently and without reliance upon the Agent, Conduit, the Seller or any other Financial Institution or Purchaser and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Purchase Agreement and the Transaction Documents; (e) Assignee appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under the Transaction Documents as are delegated to the Agent by the terms thereof, together with such powers as are reasonably incidental thereto; and (f) Assignee agrees that it will perform in accordance with their terms all of the obligations which, by the terms of the Purchase Agreement and the other Transaction Documents, are required to be performed by it as a Financial Institution or, when applicable, as a Purchaser.

7. Each party hereto represents and warrants to and agrees with the Agent that it is aware of and will comply with the provisions of the Purchase Agreement, including, without limitation, Sections 4.1, 13.1 and 14.6 thereof.

8. Schedule I hereto sets forth the revised Commitment of Assignor and the Commitment of Assignee, as well as administrative information with respect to Assignee.

9. THIS ASSIGNMENT AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

10. Assignee hereby covenants and agrees that, prior to the date which is one year and one day after the payment in full of all senior indebtedness for borrowed money of Conduit, it will not institute against, or join any other Person in instituting against, Conduit any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings or other similar proceeding under the laws of the United States or any state of the United States.

IN WITNESS WHEREOF, the parties hereto have caused this Assignment Agreement to be executed by their respective duly authorized officers of the date hereof.

[ASSIGNOR]

By: _____
Title:

[ASSIGNEE]

By: _____
Title:

SCHEDULE I TO ASSIGNMENT AGREEMENT

LIST OF LENDING OFFICES, ADDRESSES
FOR NOTICES AND COMMITMENT AMOUNTS

Date: _____, _____

Transferred Percentage: _____%

	A-1	A-2	B-1	B-2
Assignor	Commitment (prior to giving effect to the Assignment Agreement)	Commitment (after giving effect to the Assignment Agreement)	Outstanding Capital (if any)	Ratable Share of Outstanding Capital

	A-2	B-1	B-2
Assignee	Commitment (after giving effect to the Assignment Agreement)	Outstanding Capital (if any)	Ratable Share of Outstanding Capital

Address for Notices

Attention:
Phone:
Fax:

SCHEDULE II TO ASSIGNMENT AGREEMENT

EFFECTIVE NOTICE

TO: _____, Assignor

TO: _____, Assignee

The undersigned, as Agent under the Receivables Purchase Agreement dated as of September 26, 2000 by and among Ferrellgas Receivables, LLC, a Delaware limited liability company ("Seller"), between Ferrellgas, L.P., a Delaware limited partnership, as Servicer, Jupiter Securitization Corporation, Bank One, NA (Main Office Chicago), as Agent, and the Financial Institutions party thereto, hereby acknowledges receipt of executed counterparts of a completed Assignment Agreement dated as of _____, ____ between _____, as Assignor, and _____, as Assignee. Terms defined in such Assignment Agreement are used herein as therein defined.

1. Pursuant to such Assignment Agreement, you are advised that the Effective Date will be
- --------------, ----.

2. By its signature below, [each of] Conduit [and Seller] hereby consents to the Assignment Agreement as required by Section 12.1(b) of the Receivables Purchase Agreement.

[3. Pursuant to such Assignment Agreement, the Assignee is required to pay $_____ to Assignor at or before 12:00 noon (local time of Assignor) on the Effective Date in immediately available funds.]

Very truly yours,

BANK ONE, NA (MAIN OFFICE CHICAGO),
individually and as Agent

By: _____
Title:_____

JUPITER SECURITIZATION CORPORATION

By: _____
Authorized Signatory

[The foregoing is hereby consented to:

FERRELLGAS RECEIVABLES, LLC

By:
Name:
Title:]

EXHIBIT VI

FORM OF MONTHLY REPORT

Monthly Report as of x/xx/xx
For Month Day, Year

Originator-specific data:

I. Receivables Rollforward

			Ferrellgas, L.P.
Beginning Receivables			0
Add:	Invoices		0
	Finance Charges		0
	Debit Memos		0
Less:	Cash Collections		0
	Credit Memos (Note 1)		0
	Charge-offs		0
Total Receivables			0

II. Summary Aging Schedule

	Ferrellgas, L.P.
Current	0
30-60 days from invoice	0
61-90 days from invoice	0
> 91 days from invoice	0
Total Receivables	0

III. Ending G/L Balance 0

IV. Eligible Receivables

			Ferrellgas, L.P.
Total Receivables (Note 2)			0
		"Eligible Receivable" definition (Note 3):	
Less:	Non - U.S. Receivables	(i)	0
	Receivables of Affiliates	(i)	0
	Government Receivables > 2% of Outstanding Balance	(i)	0
	Obligors of Defaulted Receivables (10%) (Note 4)	(ii)	0
	Defaulted Receivables > 60 days from invoice	(iii)	0

Rec.w/ terms > 30	(iv)		0
Originator Obligations not fully performed	(xvi)		0
Other Ineligible	(v-xv & xvii)		0
Excess Concentrations (from Section VII below)	(xviii)		0
Pool Receivables Balance			0

V. Capital Availability

Pool Receivables			$0
Less: Reserve Percentage x Pool Receivables		20.00%	$0
Available for Funding			$0
Capital Outstanding (cannot exceed $60 million)			$0
Asset Interest (sum of the Receivables Interest and the Contributed Interest)			$ -
Purchaser Interest (cannot exceed 100%)			100.00%

VI. Receivable Interest Sale Agreement Calculations

	% Value	$ Value	
Adjusted Pool Amount (Capital / 0.80)		$ -	
Minimum Receivables Percentage			
Variable Purchased Percentage		$ -	Receivable Interest
Variable Contributed Percentage		$ -	Contributed Interest
Buyer's Percentage (equal to Net Asset Interest Balance)		$ -	
Originator's Percentage (100% minus the Buyer's Percentage)		$ -	

SCHEDULE A

COMMITMENTS OF FINANCIAL INSTITUTIONS

FINANCIAL INSTITUTION	COMMITMENT
Bank One, NA (Main Office Chicago)	$61,200,000

SCHEDULE B

DOCUMENTS TO BE DELIVERED TO THE AGENT ON OR PRIOR TO THE INITIAL PURCHASE 1. The Receivables Interest Sale Agreement and each of the documents listed on Schedule A thereto.

2. Executed copies of this Agreement, duly executed by the parties thereto.

3. Copy of the Resolutions of the Board of Directors of Seller certified by its Secretary authorizing Seller's execution, delivery and performance of this Agreement and the other documents to be delivered by it hereunder.

4. Copy of the Resolutions of the Board of Directors of the General Partner and the Servicer certified by its Secretary authorizing the Servicer's execution, delivery and performance of this Agreement and the other documents to be delivered by it hereunder.

5. Organization Documents of Seller and certified by the Secretary of State of Delaware on or within thirty (30) days prior to the initial Incremental Purchase.

6. Good Standing Certificate for Seller issued by the Secretaries of State of:

a. Delaware
b. Texas

7. A certificate of the Secretary of Seller certifying the names and signatures of the officers authorized on its behalf to execute this Agreement and any other documents to be delivered by it hereunder.

8. A certificate of the Secretary of Servicer and the General Partner certifying the names and signatures of the officers authorized on its behalf to execute this Agreement and any other documents to be delivered by it hereunder.

9. UCC financing statements, in form suitable for filing under the UCC in all jurisdictions as may be necessary or, in the opinion of the Agent, desirable, under the UCC of all appropriate jurisdictions or any comparable law in order to perfect the ownership interests contemplated by this Agreement.

10. Time stamped receipt copies of proper UCC termination statements, if any, necessary to release all security interests and other rights of any Person in the Asset Interest previously granted by Seller.

11. A favorable opinion of legal counsel for the Seller Parties reasonably acceptable to the Agent which addresses the following matters and such other matters as the Agent may reasonably request:

--Each Seller Party is duly organized, validly existing, and in good standing under the laws of its state of organization.

--Each Seller Party has all requisite authority to conduct its business in each jurisdiction where failure to be so qualified would have a material adverse effect on such Person's business.

--The execution and delivery by each Seller Party of this Agreement and each other Transaction Document to which it is a party and its performance of its obligations thereunder have been duly authorized by all necessary action and proceedings on the part of such Person and will not:

(a) require any action by or in respect of, or filing with, any governmental body, agency or official (other than the filing of UCC financing statements);

(b) contravene, or constitute a default under, any provision of applicable law or regulation or of its Organization Documents or of any agreement, judgment, injunction, order, decree or other instrument binding upon such Person; or

(c) result in the creation or imposition of any Adverse Claim on assets of such Person or any of its Subsidiaries (except as contemplated by this Agreement).

--This Agreement and each other Transaction Document to which such Person is a party has been duly executed and delivered by such Person and constitutes the legal, valid, and binding obligation of such Person, enforceable in accordance with its terms, except to the extent the enforcement thereof may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally and subject also to the availability of equitable remedies if equitable remedies are sought.

--The provisions of the Agreement are effective to create a valid security interest in favor of the Agent for the benefit of the Purchasers in all Receivables, and upon the filing of financing statements, the Agent for the benefit of the Purchasers shall acquire a first priority, perfected security interest in such Receivables.

--To the best of the opinion giver's knowledge, there is no action, suit or other proceeding against any Seller Party or any of their respective Affiliates, which would materially adversely affect the business or financial condition of such Person and its Affiliates taken as a whole or which would materially adversely affect the ability of such Person to perform its

obligations under any Transaction Document to which it is a party.

12. A Compliance Certificate.

13. The Fee Letter.

14. A Monthly Report as at August 31, 2000.

15. On or before October 26, 2000, a Blocked Account Agreement by and among the Servicer, Wells Fargo Bank, and the Agent with respect to the Servicer's Concentration Account, in form and substance satisfactory to the Agent.

16. On or before October 26, 2000, a Blocked Account Agreement by and among Seller, Wells Fargo Bank, and the Agent with respect to the Facility Account, in form and substance satisfactory to the Agent.

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EXHIBITS AND SCHEDULES

EMPLOYMENT, CONFIDENTIALITY, AND NONCOMPETE AGREEMENT

This Employment, Confidentiality, and Noncompete Agreement ("Agreement") is made and entered into this ____ day of _____, 2000 by and between Ferrellgas, Inc., a Delaware corporation ("FGI") and Patrick J. Chesterman (the "Executive").

WHEREAS, 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", and referred to herein jointly and severally with Ferrellgas Partners as the "Partnership" or "Partnerships" as the context so requires), which are engaged primarily in the sale, distribution and marketing of propane and other natural gas liquids (the "Business").

WHEREAS, FGI, through the Partnerships, conducts the Business throughout the United States.

WHEREAS, FGI, through the Partnerships, has expended a great deal of time, money, and effort to develop and maintain proprietary Confidential Information (as defined below) which, if misused or disclosed, could be harmful to the Business.

WHEREAS, the success of FGI depends to a substantial extent upon the protection of the Confidential Information and customer goodwill by all of its employees and the employees of the Partnerships.

WHEREAS, the Executive desires to be employed by FGI as Executive Vice President and Chief Operating Officer.

WHEREAS, the Executive desires to be eligible for other opportunities within FGI and/or compensation increases which otherwise would not be available to the Executive and to be given access to Confidential Information, of FGI and the Partnerships which is necessary for the Executive to perform his duties, but which FGI would not make available to the Executive but for the Executive's signing and agreeing to abide by the terms of this Agreement as a condition of the Executive's employment and continued employment with FGI.

WHEREAS, the Executive recognizes and acknowledges that the Executive's position with FGI has provided and/or will continue to provide the Executive with access to Confidential Information of FGI and the Partnerships.

NOW, THEREFORE, in consideration of the compensation and other benefits of the Executive's employment by FGI and the recitals, mutual covenants and agreements hereinbefore and hereinafter set forth, the Executive and FGI agree as follows:

1. Term. The Executive is hereby employed by FGI, and the Executive hereby accepts such employment upon the terms and conditions set forth herein. The Executive's term of employment under this Agreement shall be for a period of three (3) years, commencing on June 13, 2000, and shall continue for a period through and including June 13, 2003 (the "Initial Period"), unless earlier terminated pursuant to the terms and conditions of this Agreement. Notwithstanding anything herein to the contrary, this Agreement and the term of employment, unless either FGI or the Executive provides six (6) months written notice to the other party hereto that the Agreement shall not renew upon expiration of the then current employment period and, subject to Sections 8 and 9, shall be automatically renewed for one year successive periods following the Initial Period (each a "Successive Period" and together with the Initial Period, the "Employment Period").

2. Duties and Responsibilities. During the Employment Period, the Executive shall be employed as Executive Vice President and Chief Operating Officer of FGI, with such duties and responsibilities as are customarily incident to such offices and as set forth on the Retail Chief Operating Officer Job Profile and Expectations previously provided to the Executive, a copy of which is attached hereto and incorporated by reference. The precise services of the Executive may be extended or curtailed at the discretion of FGI, so long as after such extension or curtailment, the duties of the Executive are consistent with the duties normally attendant to the aforesaid offices. The Executive will perform his duties in a diligent, trustworthy, loyal, and business-like manner, all for the purpose of advancing the Business.

3. Performance of Services. During the Employment Period, the Executive shall devote his primary time, attention and energies to the Business and shall not during such time be substantially engaged in any other business activity whether or not such business activity is pursued for gain, profit, or other pecuniary advantage; provided, however, that nothing herein shall be construed as preventing the Executive (i) from being involved in civic, philanthropic or community service activities, from participating in other businesses and receiving compensation therefore, to the extent that such involvement and participation does not involve management or participation in day-to-day activities thereof and does not detract from the performance by the Executive of his duties to FGI pursuant hereto; provided, further, that at the request of the Chief Executive Officer of FGI, the Executive shall disclose such involvement therein, or (ii) from investing his assets in such form or manner as will not require any appreciable services on the part of the Executive in the operation of the affairs of any entity in which such investments are made, so long as such activities do not substantially interfere or conflict with the Executive's discharge of his duties and responsibilities hereunder. The Executive agrees to follow and act in accordance with all of the rules, policies, and procedures of FGI.

4. Compensation.

(a) During the Employment Period, Executive's base salary shall be not less than $285,000 per year ("Base Salary"), payable in regular installments

in accordance with FGI's usual payroll practices and subject to review and increase consistent with practices of FGI in effect from time to time during the Employment Period, but shall not be reduced. Executive's Base Salary shall be reviewed annually by the Chief Executive Officer of FGI with the advice and consent of the compensation committee.

(b) Performance Bonus. During the Employment Period, the Executive shall be entitled to an annual bonus as set forth below (collectively, the "Performance Bonus"):

(i) A percentage of the Base Salary based on Ferrellgas Partners achieving certain reasonably budgeted EBITDA (as defined below) targets, which budgeted EBITDA shall be approved at least annually by the Board of Directors of FGI, calculated as follows:

Actual to Budgeted EBITDA	Bonus as a % of Base Salary
Less than 90%	0.0%
90%	15.0%
91%	17.0%
92%	19.0%
93%	21.0%
94%	23.0%
95%	25.0%
96%	27.5%
97%	30.0%
98%	32.5%
99%	35.0%
100%	37.5%

(ii) In the event actual EBITDA exceeds 100% of budgeted EBITDA, the performance bonus provided above will be increased 1% (of Base Salary) for each 1% over budgeted EBITDA.

(c) A discretionary bonus of up to 37.5% of base pay may be paid in the sole discretion of the CEO of FGI, based on core objective accomplishments each year, as from time to time amended.

(d) "EBITDA" means, for any period, consolidated net income of Ferrellgas Partners
and its subsidiaries determined in accordance with generally accepted accounting principles plus (i) provisions for taxes based on income or profits to the extent included in computing such consolidated net income, plus (ii) consolidated interest expense (including deferred financing fees and expenses) and other expenses in respect of indebtedness of Ferrellgas Partners and its subsidiaries for such period, whether paid or accrued or otherwise allocated, to the extent any such expense was deducted in computing such consolidated net income, plus (iii) depreciation, amortization and other non-cash expenses of Ferrellgas Partners and its subsidiaries for such period (excluding any such non-cash expenses to the extent it represents an accrual or reserve for cash expenses in any future period or amortization of a prepaid cash expense paid in a prior period) to the extent any such expense was deducted in computing such consolidated net income, and plus (vii) any non-cash employee compensation or benefit expenses to the extent that such expenses were deducted in computing consolidated net income for such period.

(e) There shall be a cap of 80% of Base Salary applied to all payments under Section 4(b)(i), 4(b)(ii) and 4(c).

(f) For FGI's fiscal year ending July 31, 2001, EBITDA shall be the sum of Retail plus Houston, as the Executive will have substantial oversight and training responsibilities for hiring and training the Executive's Houston replacement. For years after fiscal year ending July 31, 2001, EBITDA performance shall be Retail only.

(g) For fiscal year ending July 31, 2001, notwithstanding the above, a guaranteed minimum bonus of $100,000 shall be payable.

(h) During the Employment Period, the Performance Bonus shall be payable within fifteen (15) calendar days following receipt by Ferrellgas Partners' of its audited financial statements as long as the Executive is employed the day payment is to be made; provided, however, that notwithstanding anything herein to the contrary, the Executive's entitlement to and calculation and payment of a Performance Bonus for the fiscal year ended July 31, 2000 shall be determined pursuant to his bonus arrangement in effect for his previous position.

5. Benefit Plans. During the Employment Period and as otherwise provided herein, the Executive shall be entitled to participate in any and all employee welfare and health benefit plans (including, but not limited to life insurance, health and medical, dental, and disability plans) and other employee benefit plans (including, but not limited to qualified pension plans and Ferrell Companies, Inc. ("FCI") stock incentive plans), established by FGI from time to time for the benefit of executive employees of FGI. The Executive shall be required to comply with the conditions attendant to participation in and coverage by such plans and shall comply with and, except as otherwise provided herein, shall be entitled to benefits only in accordance with the terms and conditions of such plans as they may be amended from time to time. Nothing herein contained shall be construed as requiring FGI to establish or continue any particular benefit

plan in discharge of its obligations under this Agreement.

6. Other Benefits and Reimbursements.

(a) During the Employment Period, the Executive shall be entitled to not less than four (4) weeks of paid vacation each year of his employment hereunder, which shall accumulate if not used in any given year. Pursuant to the provisions of this Agreement, vacation time earned but unused shall be paid to the Executive upon termination of this Agreement.

(b) During the Employment Period, the Executive shall be entitled to such other employment benefits extended or provided to other key executives of FGI, including, but not limited to, payment or reimbursement of all business expenses incurred by the Executive in the performance of his duties and other job related activities set forth in this Agreement or subsequently agreed to by the parties and in the promotion of the Business in accordance with FGI customary policies and procedures. The Executive shall submit to FGI periodic statements of all expenses so incurred. Subject to such audits as FGI may deem necessary, FGI shall reimburse the Executive the full amount of any such expenses advanced by him in the ordinary course of business.

7. Deductions from Salary and Benefits. FGI shall withhold from any compensation, bonus or benefits payable to the Executive all customary federal, state, local and other withholdings, including, without limitation, federal and state withholding taxes, social security taxes and state disability insurance.

8. Termination by FGI. FGI may terminate Executive's employment under this Agreement upon at least sixty (60) calendar days ("Notice Period") written notice ("Notice") to the Executive of its intent to terminate Executive's employment:

(a) without Cause (as defined in subsection 8(b) below). The Notice shall specify that such Termination is without Cause, and upon the expiration of the Notice Period, FGI shall, on the condition that Executive executes a general release of claims on terms customarily and normally used by FGI at the time, (i) pay the Executive in a lump sum an amount equal to twice his then current Base Salary, (ii) provide to the Executive medical insurance, on the same basis on which he is receiving such insurance at the time of termination, for a period ending the earlier of two (2) years from the date of termination of this Agreement or the date Executive is covered by another medical plan at a cost to the Executive equal to the amount that would have been charged to the Executive in accordance with the terms of this Agreement, and (iii) an amount equal to $75,000 for relocation expenses (the payment or provision of the items in this Section 8(a) are referred to in this Agreement as the "Executive Payments");

(b) for Cause (as defined below). The Notice shall specify the particulars of such Cause and shall afford the Executive an opportunity to discuss the particulars of such Cause with the Chief Executive Officer of FGI and to cure such Cause. If such Cause shall not be cured accordingly, Executive's employment shall terminate upon expiration of the Notice Period and no compensation shall be due to the Executive beyond the date of such termination (other than pursuant to pension or other plans which by their terms provide payments beyond the date of termination in such circumstances, including but not limited to, the Ferrell Companies Inc. Employee Stock Ownership Plan, FGI's non-qualified deferred compensation plan, the FCI Nonqualified Stock Option Agreement and vacation earned but not taken ("collectively, the "FGI Benefit Plans")). For purposes of this Agreement "Cause" means: (i) the conviction of Executive by a ----- court of competent jurisdiction of, or entry of a plea of nolo contendere with respect to, a felony or ---- ---------- any other crime, which other crime involves fraud, dishonesty or moral turpitude which materially interferes with the performance of Executive's duties, responsibilities or obligations under this Agreement; (ii) fraud or embezzlement related to FGI or the Partnerships on the part of Executive; (iii) Executive's chronic abuse of or dependency on alcohol or drugs (illicit or otherwise) which materially interferes with the performance of Executive's duties, responsibilities or obligations under this Agreement; (iv) the material breach by Executive of any of Sections 16, 17 or 18 hereof, except as permitted pursuant to Section 12 hereof; (v) any act of moral turpitude or willful misconduct by Executive which (A) results in substantial personal enrichment of the Executive at the expense of FGI or the Partnerships, or (B) is reasonably expected to have a material adverse impact on the Business or reputation of FGI; (vi) gross and willful neglect of material duties and responsibilities of the Executive pursuant hereto, or an intentional violation of a material term of this Agreement; or (vii) any material violation of any statutory or common law fiduciary duty of Executive to FGI or the Partnerships; or (viii) willful failure by the Executive to comply with a material FGI policy, which results in a material, adverse impact on the Business, as reasonably determined by the Chief Executive Officer of FGI, or (ix) repeated gross insubordination.

9. Termination by the Executive. The Executive may terminate his employment under this Agreement upon at least thirty (30) calendar days' ("Executive Notice Period") written notice ("Executive Notice") to FGI of such termination:

(a) without Executive Cause (as defined below), upon expiration of the Executive Notice Period, in which event no compensation shall be due him beyond the date of such termination other than pursuant to the FGI Benefit Plans; or

(b) for Executive Cause. The Executive Notice shall specify the particulars of such Executive Cause and during the Executive Notice Period, the Executive shall afford the Chief Executive Officer an opportunity to discuss the particulars of such Executive Cause with the Executive and to cure such Executive Cause to the satisfaction of the Executive during the Executive Notice Period. If such Executive Cause shall not be cured accordingly, Executive's employment shall terminate upon expiration of the Executive Notice Period. In all events, Executive shall be paid all payments and benefits due him during the Employment Period, and FGI shall pay the Executive in a lump sum or provide to

the Executive, as applicable, the Executive Payments on the condition that Executive executes a general release of claims on terms customarily and normally used by FGI at the time. "Executive Cause" means any ---------- of the following to which the Executive does not agree: (i) assignment to the Executive of duties or responsibilities, or the material diminution of duties or responsibilities, that are inconsistent with his position, duties, responsibilities or status as they exist at the commencement of the term of this Agreement; (ii) material change in the reporting responsibilities of the Executive; provided, however, that, notwithstanding the effect of changes on the Board under Section 12 hereof, changes in the identity of persons on the Board shall not be considered a change in reporting responsibilities for purposes of this Section, (iii) relocation of the Executive's physical office or of FGI's corporate offices to a site beyond a fifty (50) mile radius of its current location of One Liberty Plaza, Liberty, Missouri; (iv) failure by any of FGI's successors in interest to assume this Agreement in writing simultaneously with becoming a successor in interest; (v) failure of FGI to maintain Director's and Officer's insurance; or, (vi) a breach of any provision of this Agreement by FGI.

10. Nondisparagement. During the term of this Agreement and for a period of two (2) years after it is terminated, for whatever reason, Executive agrees that he will not make any statements or provide any information that would tend to disparage, defame or denigrate FGI, its affiliates, related entities and any of its or their former or current officers, directors, agents or employees.

11. Cooperation. In the event that FGI or any of its affiliates becomes involved in any civil or criminal litigation, administrative proceeding or governmental investigation, Executive shall, upon request, provide reasonable cooperation and assistance to FGI, including without limitation, furnishing relevant information, attending meetings and providing statements and testimony. FGI will reimburse Executive for all reasonable and necessary expenses he incurs in complying with this Section 11. In addition, at any time more than two (2) years after the termination of this Agreement for any reason, Executive need not comply with this Section 11 unless FGI has agreed in writing to reimburse Executive's employer, if applicable, or to reimburse Executive if self-employed, for Executive's time at a rate agreed to by the applicable parties.

12. Effect of Certain Transactions; Change in Control.

(a) In the event of a Change in Control (as hereinafter defined) FGI shall pay the Executive, not later than thirty (30) calendar days after such Change in Control, a lump cash sum equal to the greater of (A) two and one-half (2.5) times 125% of his then current Base Salary, or (B) two and one-half (2.5) times the average actual cash compensation (including, but not limited to, bonuses) paid for the prior three (3) fiscal years prior to such Change in Control. Such payment shall reduce any lump sum Executive Payments payable to the Executive under Sections 8 or 9. In addition, if the Executive's employment is terminated pursuant to Section 8(a) or 9(b) within eighteen (18) months after such Change in Control, (i) FGI shall pay the Executive for any vacation earned by the Executive but not taken and any other amounts earned but unpaid, (ii) FGI shall pay the Executive a pro rata portion (such proration shall be on the basis that the number of months of his employment during FGI's then current fiscal year bears to the number 12, considering the month of termination as a month of full employment, and in the case of any plan measured over a full year, such determination and payment shall be made after the close of such year of any amounts to which he would have otherwise been entitled under any Company perquisite to which Executive is a participant (excluding any bonus), and (iii) FGI shall continue the Executive's health, accident and life insurance benefits at FGI's cost on the same basis on which he is receiving such benefits at the time of termination, until the earlier of the COBRA period of eighteen (18) months after the month in which such termination occurs or Executive obtains coverage under another plan or comparable coverage. For purposes of calculating any bonus to be paid to the Executive pursuant to this Section 12, the Executive shall be entitled to the payment of any bonus normally calculated with reference to a future period based upon the total amount paid for such bonus in the three (3) previous fiscal years.

(b) For purposes of this Agreement a "Change In Control" shall be deemed to occur if:

(i) FGI or FCI (FGI and FCI will hereinafter be jointly and severally referred to as "Company" or the ------- "Companies" as the context so requires) or either Partnership merges with or is consolidated ---------- into another corporation or other entity not theretofore affiliated with either Company or Partnership (i.e., controlled by, controlling or under common control with the Companies or the Partnerships, as applicable) and the Company or Partnership so merging or consolidating is not the surviving entity pursuant to such merger or consolidation (other than a transaction in which the persons who were the equity owners of the Company or Partnership so merging own more than 50% of the surviving entity);

(ii) All or substantially all of the assets of either Company or Partnership are acquired by another corporation or other entity not theretofore affiliated with either Company or Partnership in a single transaction or a series of related transactions, and a majority of the then current Board of Directors of neither Company does not control the entity that has made such acquisition;

(iii) There is consummated any transaction or series of transactions or any event or series of events, the result of which is that FGI is no longer the sole general partner of either Partnership;

(iv) There is consummated any transaction or series of transactions or any event or series of events, the result of which is that the Board of FGI does not have control of the affairs of either Partnership;

(v) There is consummated a purchase or other acquisition by any persons, entity or group of persons, within the meaning of Section 13(d) or 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") (excluding, for this purpose, either Company or its subsidiaries or any employee benefit plan of either Company or its subsidiaries), of the beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 50% or more of either the then-outstanding equity securities of either Company or Partnership or the combined voting power of either Company's or Partnership's then-outstanding voting securities;

(vi) Individuals who, as of the date hereof, constitute the Board of either Company (as the date hereof, the "Incumbent Boards") cease for any reason to constitute at least a majority of the Boards, provided that any person who becomes a director subsequent to the date hereof whose election, or nomination for election by either Company's equity owners, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board (other than an individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of directors of either Company, as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) shall be, for purposes of this section, considered as though such person were a member of the applicable Incumbent Board;

(vii) There is consummated a reorganization, merger or consolidation, in each case with respect to which persons who were the equity holders of either Company or Partnership immediately prior to such reorganization, merger or consolidation do not, immediately thereafter, own more than 50% of, respectively, the equity securities and the combined voting power entitled to vote generally in the elections of directors or managers of the reorganized, merged or consolidated entity's then-outstanding voting securities;

(viii) There is a liquidation or dissolution of either Company or Partnership (other than a liquidation or dissolution where the equity owners of the surviving Company or Partnership do not change) or of the sale of all or substantially all of the assets of either Company or Partnership;

(ix) There is consummated a public sale of a "material" amount of FCI's equity (with materiality being determined by the Committee administering the Ferrell Companies Inc. Employee Stock Ownership Trust ("ESOT"), but with a material amount of such equity being at least 50% thereof).

13. Mitigation or Reduction of Benefits. Executive shall not be required to mitigate or reduce the amount of any payment upon termination provided for herein by seeking other employment or otherwise nor, except as otherwise specifically set forth herein, shall the amount of any payment or benefits provided upon termination be reduced by any compensation or other amounts paid to or earned by Executive as the result of employment by another employer after such termination or otherwise.

14. Certain Additional Payments by FGI.

(a) Notwithstanding anything in this Agreement to the contrary and except as set forth below, in the event it shall be determined that any payment, benefit or distribution (or contribution thereof) from FGI, any affiliate, or trusts established by FGI or by any affiliate, for the benefit of its employees, to the Executive or for the Executive's benefit (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, but determined without regard to any additional payments required under this Section, and with a "Payment" including, without limitation, the vesting of an option or other non-cash benefit or property) (any of which are referred to as a "Payment") would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code"), or any interest or penalties are incurred by the Executive with respect to such excise tax (such ----- excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), then the Executive shall be entitled to receive an additional payment (a "Gross-Up - ---------- --------- Payment") in an amount such that after payment by the Executive of all taxes (including any interest or ------- penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the sum of (i) the Excise Tax imposed upon the Payments; plus (ii) an amount equal to the product of any deductions disallowed to Executive for federal, state, or local income tax purposes solely because of the inclusion of the Gross-up Payment in the Executive's adjusted gross income multiplied by the highest applicable marginal rate of federal, state, or local income taxation, respectively, for the calendar year in which the Gross-up Payment is to be made.

(b) Subject to the provisions of Section 14(c), all determinations required to be made under this Section 14, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by a nationally recognized certified public accounting firm as may be designated by the Executive (the "Accounting Firm") which shall provide detailed supporting calculations both to FGI and the Executive ---------- within fifteen (15) business days of the receipt of notice from the Executive that there has been a Payment, or such earlier time as is requested by FGI. In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity or group effecting a Change of Control, the Executive shall appoint another nationally recognized accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting

Firm hereunder). All fees and expenses of the Accounting Firm shall be borne solely by FGI. Any Gross-Up Payment, as determined pursuant to this Section 14, shall be paid by FGI to the Executive within five (5) calendar days of the receipt of the Accounting Firm's determination. Any determination by the Accounting Firm shall be binding upon FGI and the Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by FGI should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event that FGI ---------- exhausts its remedies pursuant to Section 14(c) and the Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by FGI to or for the benefit of the Executive.

(c) The Executive shall notify FGI in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by FGI of the Gross-Up Payment. Such notification shall be given as soon as practicable but no later than thirty (30) business days after the Executive is informed in writing of such claim and shall apprise FGI of the nature of such claim and the date on which such claim is requested to be paid. The Executive shall not pay such claim prior to the expiration of the 30-day period following the date on which the Executive gives such notice to FGI (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If FGI notifies the Executive in writing prior to the expiration of such period that it desires to contest such claim, the Executive shall:

(i) give FGI any information reasonably requested by FGI relating to such claim,

(ii) take such action in connection with contesting such claim as FGI shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by FGI,

(iii) cooperate with FGI in good faith in order to effectively contest such claim, and

(iv) permit FGI to participate in any proceedings relating to such claim;

provided, however, that FGI shall bear and pay directly all costs and expenses (including attorneys' fees and costs and additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Section 14(c), FGI shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as FGI shall determine; provided, however, that if FGI directs the Executive to pay such claim and sue for a refund, FGI shall advance the amount of such payment to the Executive, on an interest-free basis and shall indemnify and hold Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, FGI's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

If, after the receipt by the Executive of an amount advanced by FGI pursuant to Section 14(c), the Executive becomes entitled to receive any refund with respect to such claim, the Executive shall (subject to FGI's complying with the requirements of Section 14(c)) promptly pay to FGI the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Executive of an amount advanced by FGI pursuant to Section 14(c), a determination is made that the Executive shall not be entitled to any refund with respect to such claim and FGI does not notify the Executive in writing of its intent to contest such denial of refund prior to the expiration of thirty (30) calendar days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

15. Indemnification. Executive has executed on _____ a Director/Officer Indemnification Agreement which agreement controls the terms of indemnification between the parties.

16. Confidential Information.

(a) In connection with Executive's employment, FGI will disclose and/or has disclosed to Executive certain Confidential Information (defined below). The Confidential Information is not generally known to others and could have economic value if disclosed to others and/or used by Executive, directly or indirectly, in competition with FGI or the Partnerships. Further, Executive will in the future participate in the development of, have access to, or use in performing Executive's employment duties, some or all of the Confidential Information. FGI makes reasonable efforts to keep its Confidential Information secret and confidential, and Executive has a duty to keep it secret and confidential.

(b) Executive may have significant contacts with the customers and accounts of FGI and/or be provided with FGI's confidential customer and customer-related information, including various customer lists, analyses, and summaries. These contacts and/or this information could enable Executive, at FGI's expense, to have access to and establish favorable relations with, and put Executive in a position to influence, FGI's customers and accounts.

(c) FGI's customer lists and customer information are trade secrets, and this Agreement is intended, among other things, to protect FGI's trade secrets, customer relationships, customer goodwill and other business interests.

(d) The Executive will not use or reveal Confidential Information to anyone other than for on or behalf of FGI both during and after Executive's employment.

(e) Executive shall keep all Confidential Information secret and confidential.

(f) Executive shall return to FGI all Confidential Information and all property of FGI immediately upon termination of Executive's employment for any reason and also at any time upon FGI's request.

(g) "Confidential Information" shall mean: (i) Company Information (as defined below); (ii) Customer Information (as defined below); and (iii) all other information, whether or not reduced to writing, relating to the Partnerships, the Business or FGI's customers which gives FGI an advantage over competitors who do not know or use it, have not compiled the information themselves, or is otherwise not generally known in the industry, including, but not limited to, trade secrets, proprietary information, customer lists, route books, inventions, computer programs and software, and including information conceived, originated, or developed by Executive. Confidential Information includes, but is not limited to, originals and copies of all materials containing such information, regardless of the media used to record such information, including but not limited to computers, computer disks, CD ROMS, or other electronic media, microfiche or microfilm.

(h) "Company Information" shall mean: Information that FGI, the Companies or the Partnerships have developed, acquired, organized, compiled or maintained regarding FGI's products, services, processes, methods, operations, proposals, projects, contracts, bids, pricing, costs, profitability, marketing plans and strategies, revenues and finances to the extent not subject to public disclosure requirements, business relationships, correspondence, and other matters related to FGI's development and operation of the Business.

(i) "Customer Information" shall mean: Information that FGI or the Partnerships have developed, acquired, organized, compiled, or maintained by FGI regarding FGI's customers, former customers and prospective customers while developing and operating the Business, including, but not limited to, information relating to their identity, location, personnel, usage of petroleum products, and incidental or related appliances, equipment and supplies, purchasing experience, delivery schedules and routing, payment habits, credit experience, ownership of storage facilities, contract renewal and expiration dates, pricing, and other terms and conditions contained in their contracts with FGI or its predecessors.

17. Inventions and Patents. Executive agrees that all inventions, innovations, improvements, developments, methods, designs, analyses, drawings, reports, and all similar or related information which relates to the Companies' actual or anticipated business (to the extent the Executive is aware thereof), research and development or existing or future products or services and which are conceived, developed or made by Executive while employed by FGI or any of its affiliates (whether prior to or during the Employment Period) ("Work Product") belong to FGI or such other affiliate, and Executive hereby assigns to FGI his entire right, title and interest in any such Work Product. Executive will promptly disclose such Work Product to the Chief Executive Officer of FGI and perform all actions reasonably requested by the Chief Executive Officer of FGI (whether during or after Executive's Employment Period) to establish and confirm such ownership (including, without limitation, assignments, consents, powers of attorney and other instruments).

18. Noncompete; Nonsolicitation.

(a) Executive acknowledges that in the course of his employment with FGI he will become familiar with Confidential Information and that his services will be of special, unique and extraordinary value to FGI. Therefore, Executive agrees

that, during the time he is employed by FGI pursuant hereto and for two (2) years thereafter (the "Noncompete Period"), in the entire United States and any other countries ---------- in which the Companies or Partnerships are providing, or actively planning to provide goods and services, he will not: (i) compete with the Companies or the Partnerships in the sale of propane or related competitive products or services; (ii) directly or indirectly, in person or through others, for the benefit of Executive or another, call upon, solicit, sell, divert, take away, deliver to, accept business or orders from or otherwise engage in propane-related business with FGI's Customers (as defined below), nor shall Executive, in any capacity, assist others to do so; or (iii) directly or indirectly interfere with the business relationship between FGI and any FGI Customers. The restrictions in this paragraph apply only to products and services that are competitive with the Business and/or products and services of FGI.

(b) While employed by FGI and for two (2) years thereafter, Executive will not (i) interfere with, disrupt, or attempt to disrupt relations, contractual or otherwise, between FGI and its employees, vendors or suppliers, or (ii) hire or take away, directly or indirectly, any FGI employee.

(c) "Customers" shall mean: (i) all persons, firms, corporations, and other business enterprises for whom FGI performs or performed services or to whom FGI sells or sold products, appliances, equipment, or supplies during the two year period immediately prior to the termination of Executive's employment; and (ii) all persons, corporations, and other business enterprises actively solicited by FGI or to whom FGI has furnished a quotation or proposal or estimate for the sale of products or services within the one year period immediately prior to the termination of Executive's employment. Customers of FGI shall include, but not be limited to, those for whom either Executive or anyone under Executive's supervision provided products or services and those who may have become customers through the efforts of Executive while employed by FGI.

(d) FGI and Executive agree that: (i) the covenants set forth in Sections 16 and 18 are reasonable in geographical and temporal scope and in all other respects, (ii) FGI would not have entered into this Agreement but for these covenants of Executive contained herein, and (iii) these covenants contained herein have been made in order to induce FGI to enter into this Agreement.

(e) If, at the time of enforcement of this Section 18, 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 or arbitrator shall be allowed to revise the restrictions contained herein to cover the maximum period, scope and area permitted by law.

(f) FGI does not have to enforce all provisions of Sections 16 and 18 of this Agreement at all times to preserve its rights to enforce any other provision of Sections 16 and 18 of this Agreement. Executive also acknowledges FGI does not have to enforce similar agreements with other employees and/or officers to preserve its rights to enforce Sections 16 and 18 of this Agreement with Executive.

(g) Executive shall provide a copy of this Agreement to any new or potential employer which competes against the Companies or the Partnerships.

19. Arbitration.

(a) Except as set forth in Section 19(c), 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 Executive's employment relationship with FGI, or the termination of Executive's employment relationship with FGI, including any Claim against any parent, subsidiary, or affiliated entity of FGI, or any director, officer, general or limited partner, employee or agent of FGI 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 FGI seeking injunctive relief or damages for breach or enforcement of Sections 16 or 18 of the Agreement. This agreement to arbitrate also does not apply to any claims by Executive: (a) for workers' compensation benefits; (b) for unemployment insurance benefits; (c) under a benefit plan where the plan specifies a separate arbitration procedure; (d) filed with an administrative agency which are not legally subject to arbitration under this Agreement; or (e) 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 Liberty or Kansas City, Missouri 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 Executive and FGI, 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 Executive. 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.

(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.

20. FGI's Right to Injunctive Relief, Tolling. In the event of a breach or threatened breach of any of the Executive's duties and obligations under the terms and provisions of Sections 16, 17 or 18 hereof, FGI shall be entitled, in addition to any other legal or equitable remedies it may have in connection therewith (including any right to damages that it may suffer), to temporary, preliminary, and permanent injunctive relief restraining such breach or threatened breach. The Executive hereby expressly acknowledges that the harm which might result to the Business as a result of any noncompliance by the Executive with any of the provisions of sections 16, 17 or 18 hereof would be largely irreparable.

21. Judicial Enforcement. If any provision of this Agreement is adjudicated to be invalid or unenforceable under applicable law in any jurisdiction, the validity or enforceability of the remaining provisions thereof shall be unaffected as to such jurisdiction and such adjudication shall not affect the validity or enforceability of such provisions in any other jurisdiction. To the extent that any provision of this Agreement is adjudicated to be invalid or unenforceable because it is overbroad, that provision shall not be void but rather shall be limited only to the extent required by applicable law and enforced as so limited. The parties expressly acknowledge and agree that this Section is reasonable in view of the parties' respective interests.

22. Executive Warranties and Representations. The Executive warrants and represents that the execution and delivery of the Agreement and the Executive's employment with FGI do not violate any previous employment agreement or other contractual obligation of the Executive.

23. Survival. The provisions of this Agreement, except as otherwise provided herein, shall continue in full force in accordance with their terms notwithstanding any termination of Executive's employment by FGI.

24. Right to Recover Costs and Fees. The Executive and FGI undertake and agree that if either the Executive or FGI breach or threaten to breach Sections 16 or 18 of this Agreement (the "Breaching Party"), the Breaching Party shall be liable for any attorneys' fees and costs incurred by the non-Breaching Party in enforcing the non-Breaching Party's rights hereunder.

25. Executive Right. If the Executive believes that any benefit on account of the termination of the Executive's service with FGI under this Agreement has not been paid by FGI within fifteen (15) days after the date on which that benefit should have been paid to the Executive under the terms of this Agreement, the Executive may give notice to FGI of that failure and the amount of the benefit that should have been paid. FGI shall pay the Executive the amount specified in that notice within thirty (30) days after its receipt of the notice; provided, however, that the payment shall not preclude FGI from disputing that payment in accordance with the arbitration provisions of this Agreement.

26. Entire Agreement, Amendments and Modifications. This Agreement constitutes the entire agreement and understanding of the parties regarding the employment of Executive by FGI and supersedes all prior agreements and understandings between the Executive and FGI to the extent that any such agreements or understandings conflict with the terms of this Agreement. The parties specifically agree that the Option Grantee Agreement entered into between Executive and Ferrellgas is hereby terminated. No modification, amendment or waiver of any of the provisions of this Agreement shall be effective unless in writing specifically referring hereto, and signed by the parties hereto.

27. Assignments. This Agreement shall be freely assignable by FGI to, and shall inure to the benefit of and be binding upon, its successors and assigns and/or any other entity which shall succeed to the business presently being conducted by FGI or the Partnerships. In that regard, FGI shall assign and shall require any successor, whether in a Change of Control transaction or not, of either of the Companies or any of the Partnerships to expressly assume in writing FGI's obligations under this Agreement simultaneously with the consummation of an applicable transaction, which assumption shall not relieve FGI of any of its obligations hereunder. Being a contract for personal services, neither this Agreement nor any rights hereunder shall be assigned by the Executive; provided, however that the rights and benefits hereunder shall inure to and be enforceable by the Executive's estate, heirs, executors, administrators or legal guardians or representatives.

28. Choice of Forum; Governing Law. In light of FGI's substantial contacts with the State of Missouri, the parties' interests in ensuring that disputes regarding the interpretation, validity, and enforceability of this Agreement are resolved on a uniform basis, and FGI's execution of, and the making of, this Agreement in Missouri, the parties agree that: (i) any litigation involving this Agreement shall be filed and conducted in the state or federal courts in the State of Missouri; and (ii) the Agreement shall be interpreted in accordance with and governed by the laws of the State of Missouri, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of Missouri or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Missouri.

29. Headings and Interpretation. Section headings are provided in this Agreement for convenience only and shall not be deemed to substantively alter the content of such sections. Whenever the words "include", "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation". References to the singular or plural tense of a word shall also include the plural or singular as the context may require.

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 of this

Agreement, 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 or schedule hereto.

31. Notices. Any notice, request, consent or communication (collectively, a "Notice") under this Agreement shall be effective only if it is in writing and (i) personally delivered with written receipt thereof, (ii) sent by certified or registered mail, return receipt requested, postage prepaid or (iii) sent by a nationally recognized overnight delivery service, with delivery confirmed, addressed as follows (or at such other address for a party as shall be specified by like notice):

(a)	If to the Executive, to:	Patrick J. Chesterman [Address]
(b)	with a copy to:	Bryan Cave LLP One Kansas City Place 1200 Main Street Kansas City, Missouri 64105 Attn: Beth Romans Bower
(c)	If to FGI, to:	Ferrellgas, Inc. One Liberty Plaza Liberty, Missouri 64068 Attention: Mr. Danley K. Sheldon

A Notice shall be deemed to have been given as of the date when (i) personally delivered as indicated by date of receipt, (ii) five (5) days after the date when deposited with the United States certified mail, return receipt requested, properly addressed, or (iii) when receipt of a Notice sent by an overnight delivery service is confirmed by such overnight delivery service, as the case may be, unless the sending party has actual knowledge that a Notice was not received by the intended recipient.

32. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and together shall constitute one and the same Agreement.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the day and year first above written.

FERRELLGAS, INC. EXECUTIVE

By: _____
Name:_____ Patrick J. Chesterman
Title:_____

PLEASE NOTE: BY SIGNING THIS AGREEMENT, EXECUTIVE IS HEREBY CERTIFYING THAT EXECUTIVE (A) HAS RECEIVED A COPY OF THIS AGREEMENT FOR REVIEW AND STUDY BEFORE EXECUTING IT; (B) HAS READ THIS AGREEMENT CAREFULLY BEFORE SIGNING IT; (C) UNDERSTANDS THAT THIS AGREEMENT CONTAINS A BINDING ARBITRATION PROVISION; (D) HAS HAD SUFFICIENT OPPORTUNITY BEFORE SIGNING THE AGREEMENT TO ASK ANY QUESTIONS EXECUTIVE HAS ABOUT THE AGREEMENT AND HAS RECEIVED SATISFACTORY ANSWERS TO ALL SUCH QUESTIONS; AND (E) UNDERSTANDS EXECUTIVE'S RIGHTS AND OBLIGATIONS UNDER THE AGREEMENT.

EMPLOYMENT, CONFIDENTIALITY, AND NONCOMPETE AGREEMENT

This Employment, Confidentiality, and Noncompete Agreement ("Agreement") is made and entered into this ____ day of _____, 2000 by and between Ferrellgas, Inc., a Delaware corporation ("FGI") and James M. Hake (the "Executive").

WHEREAS, 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", and referred to herein jointly and severally with Ferrellgas Partners as the "Partnership" or "Partnerships" as the context so requires), which are engaged primarily in the sale, distribution and marketing of propane and other natural gas liquids (the "Business").

WHEREAS, FGI, through the Partnerships, conducts the Business throughout the United States.

WHEREAS, FGI, through the Partnerships, has expended a great deal of time, money, and effort to develop and maintain proprietary Confidential Information (as defined below) which, if misused or disclosed, could be harmful to the Business.

WHEREAS, the success of FGI depends to a substantial extent upon the protection of the Confidential Information and customer goodwill by all of its employees and the employees of the Partnerships.

WHEREAS, the Executive desires to be employed by FGI as Senior Vice President, Acquisitions.

WHEREAS, the Executive desires to be eligible for other opportunities within FGI and/or compensation increases which otherwise would not be available to the Executive and to be given access to Confidential Information, of FGI and the Partnerships which is necessary for the Executive to perform his duties, but which FGI would not make available to the Executive but for the Executive's signing and agreeing to abide by the terms of this Agreement as a condition of the Executive's employment and continued employment with FGI.

WHEREAS, the Executive recognizes and acknowledges that the Executive's position with FGI has provided and/or will continue to provide the Executive with access to Confidential Information of FGI and the Partnerships.

NOW, THEREFORE, in consideration of the compensation and other benefits of the Executive's employment by FGI and the recitals, mutual covenants and agreements hereinbefore and hereinafter set forth, the Executive and FGI agree as follows:

1. Term. The Executive is hereby employed by FGI, and the Executive hereby accepts such employment upon the terms and conditions set forth herein. The Executive's term of employment under this Agreement shall be for a period of three (3) years, commencing on July 24, 2000, and shall continue for a period through and including July 24, 2003 (the "Initial Period"), unless earlier terminated pursuant to the terms and conditions of this Agreement. Notwithstanding anything herein to the contrary, this Agreement and the term of employment, unless either FGI or the Executive provides six (6) months written notice to the other party hereto that the Agreement shall not renew upon expiration of the then current employment period and, subject to Sections 8 and 9, shall be automatically renewed for one year successive periods following the Initial Period (each a "Successive Period" and together with the Initial Period, the "Employment Period").

2. Duties and Responsibilities. During the Employment Period, the Executive shall be employed as FGI's Senior Vice President, Acquisitions, with such duties and responsibilities as are customarily incident to such office. The precise services of the Executive may be extended or curtailed at the discretion of FGI, so long as after such extension or curtailment, the duties of the Executive are consistent with the duties normally attendant to the aforesaid office. The Executive will perform his duties in a diligent, trustworthy, loyal, and business-like manner, all for the purpose of advancing the Business.

3. Performance of Services. During the Employment Period, the Executive shall devote his primary time, attention and energies to the Business and shall not during such time be substantially engaged in any other business activity whether or not such business activity is pursued for gain, profit, or other pecuniary advantage; provided, however, that nothing herein shall be construed as preventing the Executive (i) from being involved in civic, philanthropic or community service activities, from participating in other businesses and receiving compensation therefore, to the extent that such involvement and participation does not involve management or participation in day-to-day activities thereof and does not detract from the performance by the Executive of his duties to FGI pursuant hereto; provided, further, that at the request of the Chief Executive Officer of FGI, the Executive shall disclose such involvement therein, or (ii) from investing his assets in such form or manner as will not require any appreciable services on the part of the Executive in the operation of the affairs of any entity in which such investments are made, so long as such activities do not substantially interfere or conflict with the Executive's discharge of his duties and responsibilities hereunder. The Executive agrees to follow and act in accordance with all of the rules, policies, and procedures of FGI.

4. Compensation.

(a) During the Employment Period, Executive's base salary shall be not less than $192,000 per year ("Base Salary"), payable in regular installments in accordance with FGI's usual payroll practices and subject to review and increase consistent with practices of FGI in effect from time to time during the Employment Period, but shall not be reduced. Executive's Base Salary shall be reviewed annually by the Chief

Executive Officer of FGI with the advice and consent of the compensation committee.

(b) Annual Bonus. Executive may be eligible for an annual bonus based on a target bonus of 50% of base pay. The terms of any such annual bonus plan shall be at the discretion of the Board of Directors of FGI; however, the terms of such plan, if any, shall be committed to by FGI, in writing, within 30 days after the beginning of each fiscal year.

5. Benefit Plans. During the Employment Period and as otherwise provided herein, the Executive shall be entitled to participate in any and all employee welfare and health benefit plans (including, but not limited to life insurance, health and medical, dental, and disability plans) and other employee benefit plans (including, but not limited to qualified pension plans and Ferrell Companies, Inc. ("FCI") stock incentive plans), established by FGI from time to time for the benefit of executive employees of FGI. The Executive shall be required to comply with the conditions attendant to participation in and coverage by such plans and shall comply with and, except as otherwise provided herein, shall be entitled to benefits only in accordance with the terms and conditions of such plans as they may be amended from time to time. Nothing herein contained shall be construed as requiring FGI to establish or continue any particular benefit plan in discharge of its obligations under this Agreement.

6. Other Benefits and Reimbursements.

(a) During the Employment Period, the Executive shall be entitled to not less than four (4) weeks of paid vacation each year of his employment hereunder, which shall accumulate if not used in any given year. Pursuant to the provisions of this Agreement, vacation time earned but unused shall be paid to the Executive upon termination of this Agreement.

(b) During the Employment Period, the Executive shall be entitled to such other employment benefits extended or provided to other key executives of FGI, including, but not limited to, payment or reimbursement of all business expenses incurred by the Executive in the performance of his duties and other job related activities set forth in this Agreement or subsequently agreed to by the parties and in the promotion of the Business in accordance with FGI customary policies and procedures. The Executive shall submit to FGI periodic statements of all expenses so incurred. Subject to such audits as FGI may deem necessary, FGI shall reimburse the Executive the full amount of any such expenses advanced by him in the ordinary course of business.

7. Deductions from Salary and Benefits. FGI shall withhold from any compensation, bonus or benefits payable to the Executive all customary federal, state, local and other withholdings, including, without limitation, federal and state withholding taxes, social security taxes and state disability insurance.

8. Termination by FGI. FGI may terminate Executive's employment under this Agreement upon at least sixty (60) calendar days ("Notice Period") written notice ("Notice") to the Executive of its intent to terminate Executive's employment:

(a) without Cause (as defined in subsection 8(b) below). The Notice shall specify that such Termination is without Cause, and upon the expiration of the Notice Period, FGI shall, on the condition that Executive executes a general release of claims on terms customarily and normally used by FGI at the time, (i) pay the Executive in a lump sum an amount equal to twice his then current Base Salary, and (ii) provide to the Executive medical insurance, on the same basis on which he is receiving such insurance at the time of termination, for a period ending the earlier of two (2) years from the date of termination of this Agreement or the date Executive is covered by another medical plan at a cost to the Executive equal to the amount that would have been charged to the Executive in accordance with the terms of this Agreement (the payment or provision of the items in this Section 8(a) are referred to in this Agreement as the "Executive Payments");

(b) for Cause (as defined below). The Notice shall specify the particulars of such Cause and shall afford the Executive an opportunity to discuss the particulars of such Cause with the Chief Executive Officer of FGI and to cure such Cause. If such Cause shall not be cured accordingly, Executive's employment shall terminate upon expiration of the Notice Period and no compensation shall be due to the Executive beyond the date of such termination (other than pursuant to pension or other plans which by their terms provide payments beyond the date of termination in such circumstances, including but not limited to, the Ferrell Companies Inc. Employee Stock Ownership Plan, FGI's non-qualified deferred compensation plan, the FCI Nonqualified Stock Option Agreement and vacation earned but not taken ("collectively, the "FGI Benefit Plans")). For purposes of this Agreement "Cause" means: (i) the conviction of Executive by a court of competent jurisdiction of, or entry ----- of a plea of nolo contendere with respect to, a felony or any other crime, which other crime involves fraud, dishonesty or ---- ---------- moral turpitude which materially interferes with the performance of Executive's duties, responsibilities or obligations under this Agreement; (ii) fraud or embezzlement related to FGI or the Partnerships on the part of Executive; (iii) Executive's chronic abuse of or dependency on alcohol or drugs (illicit or otherwise) which materially interferes with the performance of Executive's duties, responsibilities or obligations under this Agreement; (iv) the material breach by Executive of any of Sections 16, 17 or 18 hereof, except as permitted pursuant to Section 12 hereof; (v) any act of moral turpitude or willful misconduct by Executive which (A) results in substantial personal enrichment of the Executive at the expense of FGI or the Partnerships, or (B) is reasonably expected to have a material adverse impact on the Business or reputation of FGI; (vi) gross and willful neglect of material duties and responsibilities of the Executive pursuant hereto, or an intentional violation of a material term of this Agreement; or (vii) any material violation of any statutory or common law fiduciary duty of Executive to FGI or the Partnerships; or (viii) willful failure by the Executive to comply with a material FGI policy,

which results in a material, adverse impact on the Business, as reasonably determined by the Chief Executive Officer of FGI, or (ix) repeated gross insubordination.

9. Termination by the Executive. The Executive may terminate his employment under this Agreement upon at least thirty (30) calendar days' ("Executive Notice Period") written notice ("Executive Notice") to FGI of such termination:

(a) without Executive Cause (as defined below), upon expiration of the Executive Notice Period, in which event no compensation shall be due him beyond the date of such termination other than pursuant to the FGI Benefit Plans; or

(b) for Executive Cause. The Executive Notice shall specify the particulars of such Executive Cause and during the Executive Notice Period, the Executive shall afford the Chief Executive Officer an opportunity to discuss the particulars of such Executive Cause with the Executive and to cure such Executive Cause to the satisfaction of the Executive during the Executive Notice Period. If such Executive Cause shall not be cured accordingly, Executive's employment shall terminate upon expiration of the Executive Notice Period. In all events, Executive shall be paid all payments and benefits due him during the Employment Period, and FGI shall pay the Executive in a lump sum or provide to the Executive, as applicable, the Executive Payments on the condition that Executive executes a general release of claims on terms customarily and normally used by FGI at the time. "Executive Cause" means any of the following to which the Executive does not agree: (i) assignment ---------- to the Executive of duties or responsibilities, or the material diminution of duties or responsibilities, that are inconsistent with his position, duties, responsibilities or status as they exist at the commencement of the term of this Agreement; (ii) material change in the reporting responsibilities of the Executive; provided, however, that, notwithstanding the effect of changes on the Board under Section 12 hereof, changes in the identity of persons on the Board shall not be considered a change in reporting responsibilities for purposes of this Section, (iii) relocation of the Executive's physical office or of FGI's corporate offices to a site beyond a fifty (50) mile radius of its current location of One Liberty Plaza, Liberty, Missouri; (iv) failure by any of FGI's successors in interest to assume this Agreement in writing simultaneously with becoming a successor in interest; (v) failure of FGI to maintain Director's and Officer's insurance; or, (vi) a breach of any provision of this Agreement by FGI.

10. Nondisparagement. During the term of this Agreement and for a period of two (2) years after it is terminated, for whatever reason, Executive agrees that he will not make any statements or provide any information that would tend to disparage, defame or denigrate FGI, its affiliates, related entities and any of its or their former or current officers, directors, agents or employees.

11. Cooperation. In the event that FGI or any of its affiliates becomes involved in any civil or criminal litigation, administrative proceeding or governmental investigation, Executive shall, upon request, provide reasonable cooperation and assistance to FGI, including without limitation, furnishing relevant information, attending meetings and providing statements and testimony. FGI will reimburse Executive for all reasonable and necessary expenses he incurs in complying with this Section 11. In addition, at any time more than two (2) years after the termination of this Agreement for any reason, Executive need not comply with this Section 11 unless FGI has agreed in writing to reimburse Executive's employer, if applicable, or to reimburse Executive if self-employed, for Executive's time at a rate agreed to by the applicable parties.

12. Effect of Certain Transactions; Change in Control.

(a) In the event of a Change in Control (as hereinafter defined) FGI shall pay the Executive, not later than thirty (30) calendar days after such Change in Control, a lump cash sum equal to the greater of (A) two and one-half (2.5) times 125% of his then current Base Salary, or (B) two and one-half (2.5) times the average actual cash compensation (including, but not limited to, bonuses) paid for the prior three (3) fiscal years prior to such Change in Control. Such payment shall reduce any lump sum Executive Payments payable to the Executive under Sections 8 or 9. In addition, if the Executive's employment is terminated pursuant to Section 8(a) or 9(b) within eighteen (18) months after such Change in Control, (i) FGI shall pay the Executive for any vacation earned by the Executive but not taken and any other amounts earned but unpaid, (ii) FGI shall pay the Executive a pro rata portion (such proration shall be on the basis that the number of months of his employment during FGI's then current fiscal year bears to the number 12, considering the month of termination as a month of full employment, and in the case of any plan measured over a full year, such determination and payment shall be made after the close of such year of any amounts to which he would have otherwise been entitled under any Company perquisite to which Executive is a participant (excluding any bonus), and (iii) FGI shall continue the Executive's health, accident and life insurance benefits at FGI's cost on the same basis on which he is receiving such benefits at the time of termination, until the earlier of the COBRA period of eighteen (18) months after the month in which such termination occurs or Executive obtains coverage under another plan or comparable coverage. For purposes of calculating any bonus to be paid to the Executive pursuant to this Section 12, the Executive shall be entitled to the payment of any bonus normally calculated with reference to a future period based upon the total amount paid for such bonus in the three (3) previous fiscal years.

(b) For purposes of this Agreement a "Change In Control" shall be deemed to occur if:

(i) FGI or FCI (FGI and FCI will hereinafter be jointly and severally referred to as "Company" or the "Companies" as the context so requires) or either Partnership merges with or is consolidated into another corporation or other entity not theretofore affiliated with either Company or Partnership (i.e., controlled by, controlling or under common control with

the Companies or the Partnerships, as applicable) and the Company or Partnership so merging or consolidating is not the surviving entity pursuant to such merger or consolidation (other than a transaction in which the persons who were the equity owners of the Company or Partnership so merging own more than 50% of the surviving entity);

(ii) All or substantially all of the assets of either Company or Partnership are acquired by another corporation or other entity not theretofore affiliated with either Company or Partnership in a single transaction or a series of related transactions, and a majority of the then current Board of Directors of neither Company does not control the entity that has made such acquisition;

(iii) There is consummated any transaction or series of transactions or any event or series of events, the result of which is that FGI is no longer the sole general partner of either Partnership;

(iv) There is consummated any transaction or series of transactions or any event or series of events, the result of which is that the Board of FGI does not have control of the affairs of either Partnership;

(v) There is consummated a purchase or other acquisition by any persons, entity or group of persons, within the meaning of Section 13(d) or 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") (excluding, for this purpose, either Company or its subsidiaries or any employee benefit plan of either Company or its subsidiaries), of the beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 50% or more of either the then-outstanding equity securities of either Company or Partnership or the combined voting power of either Company's or Partnership's then-outstanding voting securities;

(vi) Individuals who, as of the date hereof, constitute the Board of either Company (as the date hereof, the "Incumbent Boards") cease for any reason to constitute at least a majority of the Boards, provided that any person who becomes a director subsequent to the date hereof whose election, or nomination for election by either Company's equity owners, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board (other than an individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of directors of either Company, as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) shall be, for purposes of this section, considered as though such person were a member of the applicable Incumbent Board;

(vii) There is consummated a reorganization, merger or consolidation, in each case with respect to which persons who were the equity holders of either Company or Partnership immediately prior to such reorganization, merger or consolidation do not, immediately thereafter, own more than 50% of, respectively, the equity securities and the combined voting power entitled to vote generally in the elections of directors or managers of the reorganized, merged or consolidated entity's then-outstanding voting securities;

(viii) There is a liquidation or dissolution of either Company or Partnership (other than a liquidation or dissolution where the equity owners of the surviving Company or Partnership do not change) or of the sale of all or substantially all of the assets of either Company or Partnership;

(ix) There is consummated a public sale of a "material" amount of FCI's equity (with materiality being determined by the Committee administering the Ferrell Companies Inc. Employee Stock Ownership Trust ("ESOT"), but with a material amount of such equity being at least 50% thereof).

13. Mitigation or Reduction of Benefits. Executive shall not be required to mitigate or reduce the amount of any payment upon termination provided for herein by seeking other employment or otherwise nor, except as otherwise specifically set forth herein, shall the amount of any payment or benefits provided upon termination be reduced by any compensation or other amounts paid to or earned by Executive as the result of employment by another employer after such termination or otherwise.

14. Certain Additional Payments by FGI.

(a) Notwithstanding anything in this Agreement to the contrary and except as set forth below, in the event it shall be determined that any payment, benefit or distribution (or contribution thereof) from FGI, any affiliate, or trusts established by FGI or by any affiliate, for the benefit of its employees, to the Executive or for the Executive's benefit (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, but determined without regard to any additional payments required under this Section, and with a "Payment" including, without limitation, the vesting of an option or other non-cash benefit or property) (any of which are referred to as a "Payment") would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code"), or any interest or penalties are incurred by the Executive with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), then the Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by the Executive of all taxes (including any

interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the sum of (i) the Excise Tax imposed upon the Payments; plus (ii) an amount equal to the product of any deductions disallowed to Executive for federal, state, or local income tax purposes solely because of the inclusion of the Gross-up Payment in the Executive's adjusted gross income multiplied by the highest applicable marginal rate of federal, state, or local income taxation, respectively, for the calendar year in which the Gross-up Payment is to be made.

(b) Subject to the provisions of Section 14(c), all determinations required to be made under this Section 14, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by a nationally recognized certified public accounting firm as may be designated by the Executive (the "Accounting Firm") which shall provide detailed supporting calculations both to FGI and the

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Executive within fifteen (15) business days of the receipt of notice from the Executive that there has been a Payment, or such earlier time as is requested by FGI. In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity or group effecting a Change of Control, the Executive shall appoint another nationally recognized accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All fees and expenses of the Accounting Firm shall be borne solely by FGI. Any Gross-Up Payment, as determined pursuant to this Section 14, shall be paid by FGI to the Executive within five (5) calendar days of the receipt of the Accounting Firm's determination. Any determination by the Accounting Firm shall be binding upon FGI and the Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by FGI should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event that

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FGI exhausts its remedies pursuant to Section 14(c) and the Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by FGI to or for the benefit of the Executive.

(c) The Executive shall notify FGI in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by FGI of the Gross-Up Payment. Such notification shall be given as soon as practicable but no later than thirty (30) business days after the Executive is informed in writing of such claim and shall apprise FGI of the nature of such claim and the date on which such claim is requested to be paid. The Executive shall not pay such claim prior to the expiration of the 30-day period following the date on which the Executive gives such notice to FGI (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If FGI notifies the Executive in writing prior to the expiration of such period that it desires to contest such claim, the Executive shall:

(i) give FGI any information reasonably requested by FGI relating to such claim,

(ii) take such action in connection with contesting such claim as FGI shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by FGI,

(iii) cooperate with FGI in good faith in order to effectively contest such claim, and

(iv) permit FGI to participate in any proceedings relating to such claim;

provided, however, that FGI shall bear and pay directly all costs and expenses (including attorneys' fees and costs and additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Section 14(c), FGI shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as FGI shall determine; provided, however, that if FGI directs the Executive to pay such claim and sue for a refund, FGI shall advance the amount of such payment to the Executive, on an interest-free basis and shall indemnify and hold Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, FGI's control of the contest shall be

limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

If, after the receipt by the Executive of an amount advanced by FGI pursuant to Section 14(c), the Executive becomes entitled to receive any refund with respect to such claim, the Executive shall (subject to FGI's complying with the requirements of Section 14(c)) promptly pay to FGI the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Executive of an amount advanced by FGI pursuant to Section 14(c), a determination is made that the Executive shall not be entitled to any refund with respect to such claim and FGI does not notify the Executive in writing of its intent to contest such denial of refund prior to the expiration of thirty (30) calendar days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

15. Indemnification. Executive has executed on _____ a Director/Officer Indemnification Agreement which agreement controls the terms of indemnification between the parties.

16. Confidential Information.

(a) In connection with Executive's employment, FGI will disclose and/or has disclosed to Executive certain Confidential Information (defined below). The Confidential Information is not generally known to others and could have economic value if disclosed to others and/or used by Executive, directly or indirectly, in competition with FGI or the Partnerships. Further, Executive will in the future participate in the development of, have access to, or use in performing Executive's employment duties, some or all of the Confidential Information. FGI makes reasonable efforts to keep its Confidential Information secret and confidential, and Executive has a duty to keep it secret and confidential.

(b) Executive may have significant contacts with the customers and accounts of FGI and/or be provided with FGI's confidential customer and customer-related information, including various customer lists, analyses, and summaries. These contacts and/or this information could enable Executive, at FGI's expense, to have access to and establish favorable relations with, and put Executive in a position to influence, FGI's customers and accounts.

(c) FGI's customer lists and customer information are trade secrets, and this Agreement is intended, among other things, to protect FGI's trade secrets, customer relationships, customer goodwill and other business interests.

(d) The Executive will not use or reveal Confidential Information to anyone other than for on or behalf of FGI both during and after Executive's employment.

(e) Executive shall keep all Confidential Information secret and confidential.

(f) Executive shall return to FGI all Confidential Information and all property of FGI immediately upon termination of Executive's employment for any reason and also at any time upon FGI's request.

(g) "Confidential Information" shall mean: (i) Company Information (as defined below); (ii) Customer Information (as defined below); and (iii) all other information, whether or not reduced to writing, relating to the Partnerships, the Business or FGI's customers which gives FGI an advantage over competitors who do not know or use it, have not compiled the information themselves, or is otherwise not generally known in the industry, including, but not limited to, trade secrets, proprietary information, customer lists, route books, inventions, computer programs and software, and including information conceived, originated, or developed by Executive. Confidential Information includes, but is not limited to, originals and copies of all materials containing such information, regardless of the media used to record such information, including but not limited to computers, computer disks, CD ROMS, or other electronic media, microfiche or microfilm.

(h) "Company Information" shall mean: Information that FGI, the Companies or the Partnerships have developed, acquired, organized, compiled or maintained regarding FGI's products, services, processes, methods, operations, proposals, projects, contracts, bids, pricing, costs, profitability, marketing plans and strategies, revenues and finances to the extent not subject to public disclosure requirements, business relationships, correspondence, and other matters related to FGI's development and operation of the Business.

(i) "Customer Information" shall mean: Information that FGI or the Partnerships have developed, acquired, organized, compiled, or maintained by FGI regarding FGI's customers, former customers and prospective customers while developing and operating the Business, including, but not limited to, information relating to their identity, location, personnel, usage of petroleum products, and incidental or related appliances, equipment and supplies, purchasing experience,

delivery schedules and routing, payment habits, credit experience, ownership of storage facilities, contract renewal and expiration dates, pricing, and other terms and conditions contained in their contracts with FGI or its predecessors.

17. Inventions and Patents. Executive agrees that all inventions, innovations, improvements, developments, methods, designs, analyses, drawings, reports, and all similar or related information which relates to the Companies' actual or anticipated business (to the extent the Executive is aware thereof), research and development or existing or future products or services and which are conceived, developed or made by Executive while employed by FGI or any of its affiliates (whether prior to or during the Employment Period) ("Work Product") belong to FGI or such other affiliate, and Executive hereby assigns to FGI his entire right, title and interest in any such Work Product. Executive will promptly disclose such Work Product to the Chief Executive Officer of FGI and perform all actions reasonably requested by the Chief Executive Officer of FGI (whether during or after Executive's Employment Period) to establish and confirm such ownership (including, without limitation, assignments, consents, powers of attorney and other instruments).

18. Noncompete; Nonsolicitation.

(a) Executive acknowledges that in the course of his employment with FGI he will become familiar with Confidential Information and that his services will be of special, unique and extraordinary value to FGI. Therefore, Executive agrees that, during the time he is employed by FGI pursuant hereto and for two (2) years thereafter (the "Noncompete Period"), in the entire

United States and any other countries in which the Companies or Partnerships are providing, or actively planning to provide goods and services, he will not: (i) compete with the Companies or the Partnerships in the sale of propane or related competitive products or services; (ii) directly or indirectly, in person or through others, for the benefit of Executive or another, call upon, solicit, sell, divert, take away, deliver to, accept business or orders from or otherwise engage in propane-related business with FGI's Customers (as defined below), nor shall Executive, in any capacity, assist others to do so; or (iii) directly or indirectly interfere with the business relationship between FGI and any FGI Customers. The restrictions in this paragraph apply only to products and services that are competitive with the Business and/or products and services of FGI.

(b) While employed by FGI and for two (2) years thereafter, Executive will not (i) interfere with, disrupt, or attempt to disrupt relations, contractual or otherwise, between FGI and its employees, vendors or suppliers, or (ii) hire or take away, directly or indirectly, any FGI employee.

(c) "Customers" shall mean: (i) all persons, firms, corporations, and other business enterprises for whom FGI performs or performed services or to whom FGI sells or sold products, appliances, equipment, or supplies during the two year period immediately prior to the termination of Executive's employment; and (ii) all persons, corporations, and other business enterprises actively solicited by FGI or to whom FGI has furnished a quotation or proposal or estimate for the sale of products or services within the one year period immediately prior to the termination of Executive's employment. Customers of FGI shall include, but not be limited to, those for whom either Executive or anyone under Executive's supervision provided products or services and those who may have become customers through the efforts of Executive while employed by FGI.

(d) FGI and Executive agree that: (i) the covenants set forth in Sections 16 and 18 are reasonable in geographical and temporal scope and in all other respects, (ii) FGI would not have entered into this Agreement but for these covenants of Executive contained herein, and (iii) these covenants contained herein have been made in order to induce FGI to enter into this Agreement.

(e) If, at the time of enforcement of this Section 18, 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 or arbitrator shall be allowed to revise the restrictions contained herein to cover the maximum period, scope and area permitted by law.

(f) FGI does not have to enforce all provisions of Sections 16 and 18 of this Agreement at all times to preserve its rights to enforce any other provision of Sections 16 and 18 of this Agreement. Executive also acknowledges FGI does not have to enforce similar agreements with other employees and/or officers to preserve its rights to enforce Sections 16 and 18 of this Agreement with Executive.

(g) Executive shall provide a copy of this Agreement to any new or potential employer which competes against the Companies or the Partnerships.

19. Arbitration.

(a) Except as set forth in Section 19(c), 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 Executive's employment relationship with FGI, or the termination of Executive's employment relationship with FGI, including any Claim against any parent, subsidiary, or affiliated entity of FGI, or any director, officer, general or limited partner, employee or agent of FGI 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 FGI seeking injunctive relief or damages for breach or enforcement of Sections 16 or 18 of the Agreement. This agreement to arbitrate also does not apply to any claims by Executive: (a) for workers' compensation benefits; (b) for unemployment insurance benefits; (c) under a benefit plan where the plan specifies a separate arbitration procedure; (d) filed with an administrative agency which are not legally subject to arbitration under this Agreement; or (e) 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 Liberty or Kansas City, Missouri 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 Executive and FGI, 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 Executive. 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.

(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.

497817.01 15 20. FGI's Right to Injunctive Relief, Tolling. In the event of a breach or threatened breach of any of the Executive's duties and obligations under the terms and provisions of Sections 16, 17 or 18 hereof, FGI shall be entitled, in addition to any other legal or equitable remedies it may have in connection therewith (including any right to damages that it may suffer), to temporary, preliminary, and permanent injunctive relief restraining such breach or threatened breach. The Executive hereby expressly acknowledges that the harm which might result to the Business as a result of any noncompliance by the Executive with any of the provisions of sections 16, 17 or 18 hereof would be largely irreparable.

21. Judicial Enforcement. If any provision of this Agreement is adjudicated to be invalid or unenforceable under applicable law in any jurisdiction, the validity or enforceability of the remaining provisions thereof shall be unaffected as to such jurisdiction and such adjudication shall not affect the validity or enforceability of such provisions in any other jurisdiction. To the extent that any provision of this Agreement is adjudicated to be invalid or unenforceable because it is overbroad, that provision shall not be void but rather shall be limited only to the extent required by applicable law and enforced as so limited. The parties expressly acknowledge and agree that this Section is reasonable in view of the parties' respective interests.

22. Executive Warranties and Representations. The Executive warrants and represents that the execution and delivery of the Agreement and the Executive's employment with FGI do not violate any previous employment agreement or other contractual obligation of the Executive.

23. Survival. The provisions of this Agreement, except as otherwise provided herein, shall continue in full force in accordance with their terms notwithstanding any termination of Executive's employment by FGI.

24. Right to Recover Costs and Fees. The Executive and FGI undertake and agree that if either the Executive or FGI breach or threaten to breach Sections 16 or 18 of this Agreement (the "Breaching Party"), the Breaching Party shall be liable for any attorneys' fees and costs incurred by the non-Breaching Party in enforcing the non-Breaching Party's rights hereunder.

25. Executive Right. If the Executive believes that any benefit on account of the termination of the Executive's service with FGI under this Agreement has not been paid by FGI within fifteen (15) days after the date on which that benefit should have been paid to the Executive under the terms of this Agreement, the Executive may give notice to FGI of that failure and the amount of the benefit that should have been paid. FGI shall pay the Executive the amount specified in that notice within thirty (30) days after its receipt of the notice; provided, however, that the payment shall not preclude FGI from disputing that payment in accordance with the arbitration provisions of this Agreement.

26. Entire Agreement, Amendments and Modifications. This Agreement constitutes the entire agreement and understanding of the parties regarding the employment of Executive by FGI and supersedes all prior agreements and understandings between the Executive and FGI to the extent that any such agreements or understandings conflict with the terms of this Agreement. The parties specifically agree that the Option Grantee Agreement entered into between Executive and Ferrellgas is hereby terminated. No modification, amendment or waiver of any of the provisions of this Agreement shall be effective unless in writing specifically referring hereto, and signed by the parties hereto.

27. Assignments. This Agreement shall be freely assignable by FGI to, and shall inure to the benefit of and be binding upon, its successors and assigns and/or any other entity which shall succeed to the business presently being conducted by FGI or the Partnerships. In that regard, FGI shall assign and shall require any successor, whether in a Change of Control transaction or not, of either of the Companies or any of the Partnerships to expressly assume in writing FGI's obligations under this Agreement simultaneously with the consummation of an applicable transaction, which assumption shall not relieve FGI of any of its obligations hereunder. Being a contract for personal services, neither this Agreement nor any rights hereunder shall be assigned by the Executive; provided, however that the rights and benefits hereunder shall inure to and be enforceable by the Executive's estate, heirs, executors, administrators or legal guardians or representatives.

28. Choice of Forum; Governing Law. In light of FGI's substantial contacts with the State of Missouri, the parties' interests in ensuring that disputes regarding the interpretation, validity, and enforceability of this Agreement are resolved on a uniform basis, and FGI's execution of, and the making of, this Agreement in Missouri, the parties agree that: (i) any litigation involving this Agreement shall be filed and conducted in the state or federal courts in the State of Missouri; and (ii) the Agreement shall be interpreted in accordance with and governed by the laws of the State of Missouri, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of Missouri or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Missouri.

29. Headings and Interpretation. Section headings are provided in this Agreement for convenience only and shall not be deemed to substantively alter the content of such sections. Whenever the words "include", "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation". References to the singular or plural tense of a word shall also include the plural or singular as the context may require.

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 of this

Agreement, 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 or schedule hereto.

31. Notices. Any notice, request, consent or communication (collectively, a "Notice") under this Agreement shall be effective only if it is in writing and (i) personally delivered with written receipt thereof, (ii) sent by certified or registered mail, return receipt requested, postage prepaid or (iii) sent by a nationally recognized overnight delivery service, with delivery confirmed, addressed as follows (or at such other address for a party as shall be specified by like notice):

(a) If to the Executive, to: James M. Hake
[Address]

(b) with a copy to: Bryan Cave LLP
One Kansas City Place
1200 Main Street
Kansas City, Missouri 64105
Attn: Beth Romans Bower

(c) If to FGI, to: Ferrellgas, Inc.
One Liberty Plaza
Liberty, Missouri 64068
Attention: Mr. Danley K. Sheldon

A Notice shall be deemed to have been given as of the date when (i) personally delivered as indicated by date of receipt, (ii) five (5) days after the date when deposited with the United States certified mail, return receipt requested, properly addressed, or (iii) when receipt of a Notice sent by an overnight delivery service is confirmed by such overnight delivery service, as the case may be, unless the sending party has actual knowledge that a Notice was not received by the intended recipient.

32. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and together shall constitute one and the same Agreement.

(The remainder of this page has been left blank intentionally.)

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the day and year first above written.

FERRELLGAS, INC. EXECUTIVE

By:_____
Name:_____ James M. Hake
Title:_____

PLEASE NOTE: BY SIGNING THIS AGREEMENT, EXECUTIVE IS HEREBY CERTIFYING THAT EXECUTIVE (A) HAS RECEIVED A COPY OF THIS AGREEMENT FOR REVIEW AND STUDY BEFORE EXECUTING IT; (B) HAS READ THIS AGREEMENT CAREFULLY BEFORE SIGNING IT; (C) UNDERSTANDS THAT THIS AGREEMENT CONTAINS A BINDING ARBITRATION PROVISION; (D) HAS HAD SUFFICIENT OPPORTUNITY BEFORE SIGNING THE AGREEMENT TO ASK ANY QUESTIONS EXECUTIVE HAS ABOUT THE AGREEMENT AND HAS RECEIVED SATISFACTORY ANSWERS TO ALL SUCH QUESTIONS; AND (E) UNDERSTANDS EXECUTIVE'S RIGHTS AND OBLIGATIONS UNDER THE AGREEMENT.

EMPLOYMENT, CONFIDENTIALITY, AND NONCOMPETE AGREEMENT

This Employment, Confidentiality, and Noncompete Agreement ("Agreement") is made and entered into this ____ day of _____, 2000 by and between Ferrellgas, Inc., a Delaware corporation ("FGI") and Boyd H. McGathey (the "Executive").

WHEREAS, 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", and referred to herein jointly and severally with Ferrellgas Partners as the "Partnership" or "Partnerships" as the context so requires), which are engaged primarily in the sale, distribution and marketing of propane and other natural gas liquids (the "Business").

WHEREAS, FGI, through the Partnerships, conducts the Business throughout the United States.

WHEREAS, FGI, through the Partnerships, has expended a great deal of time, money, and effort to develop and maintain proprietary Confidential Information (as defined below) which, if misused or disclosed, could be harmful to the Business.

WHEREAS, the success of FGI depends to a substantial extent upon the protection of the Confidential Information and customer goodwill by all of its employees and the employees of the Partnerships.

WHEREAS, the Executive desires to be employed by FGI as Senior Vice President Corporate Administration and CIO.

WHEREAS, the Executive desires to be eligible for other opportunities within FGI and/or compensation increases which otherwise would not be available to the Executive and to be given access to Confidential Information, of FGI and the Partnerships which is necessary for the Executive to perform his duties, but which FGI would not make available to the Executive but for the Executive's signing and agreeing to abide by the terms of this Agreement as a condition of the Executive's employment and continued employment with FGI.

WHEREAS, the Executive recognizes and acknowledges that the Executive's position with FGI has provided and/or will continue to provide the Executive with access to Confidential Information of FGI and the Partnerships.

NOW, THEREFORE, in consideration of the compensation and other benefits of the Executive's employment by FGI and the recitals, mutual covenants and agreements hereinbefore and hereinafter set forth, the Executive and FGI agree as follows:

1. Term. The Executive is hereby employed by FGI, and the Executive hereby accepts such employment upon the term s and conditions set forth herein. The Executive's term of employment under this Agreement shall be for a period of three (3) years, commencing on July 24, 2000, and shall continue for a period through and including July 24, 2003 (the "Initial Period"), unless earlier terminated pursuant to the terms and conditions of this Agreement. Notwithstanding anything herein to the contrary, this Agreement and the term of employment, unless either FGI or the Executive provides six (6) months written notice to the other party hereto that the Agreement shall not renew upon expiration of the then current employment period and, subject to Sections 8 and 9, shall be automatically renewed for one year successive periods following the Initial Period (each a "Successive Period" and together with the Initial Period, the "Employment Period").

2. Duties and Responsibilities. During the Employment Period, the Executive shall be employed as Senior Vice President Corporate Administration and CIO of FGI, with such duties and responsibilities as are customarily incident to such offices. The precise services of the Executive may be extended or curtailed at the discretion of FGI, so long as after such extension or curtailment, the duties of the Executive are consistent with the duties normally attendant to the aforesaid offices. The Executive will perform his duties in a diligent, trustworthy, loyal, and business-like manner, all for the purpose of advancing the Business.

3. Performance of Services. During the Employment Period, the Executive shall devote his primary time, attention and energies to the Business and shall not during such time be substantially engaged in any other business activity whether or not such business activity is pursued for gain, profit, or other pecuniary advantage; provided, however, that nothing herein shall be construed as preventing the Executive (i) from being involved in civic, philanthropic or community service activities, from participating in other businesses and receiving compensation therefore, to the extent that such involvement and participation does not involve management or participation in day-to-day activities thereof and does not detract from the performance by the Executive of his duties to FGI pursuant hereto; provided, further, that at the request of the Chief Executive Officer of FGI, the Executive shall disclose such involvement therein, or (ii) from investing his assets in such form or manner as will not require any appreciable services on the part of the Executive in the operation of the affairs of any entity in which such investments are made, so long as such activities do not substantially interfere or conflict with the Executive's discharge of his duties and responsibilities hereunder. The Executive agrees to follow and act in accordance with all of the rules, policies, and procedures of FGI.

4. Compensation.

(a) During the Employment Period, Executive's base salary shall be not less than $180,000 per year ("Base Salary"), payable in regular installments in accordance with FGI's usual payroll practices and subject to review

and increase consistent with practices of FGI in effect from time to time during the Employment Period, but shall not be reduced. Executive's Base Salary shall be reviewed annually by the Chief Executive Officer of FGI with the advice and consent of the compensation committee.

(b) Annual Bonus. Executive may be eligible for an annual bonus based on a target bonus of 50% of base pay. The terms of any such annual bonus plan shall be at the discretion of the Board of Directors of FGI; however, the terms of such plan, if any, shall be committed to by FGI, in writing, within 30 days after the beginning of each fiscal year.

5. Benefit Plans. During the Employment Period and as otherwise provided herein, the Executive shall be entitled to participate in any and all employee welfare and health benefit plans (including, but not limited to life insurance, health and medical, dental, and disability plans) and other employee benefit plans (including, but not limited to qualified pension plans and Ferrell Companies, Inc. ("FCI") stock incentive plans), established by FGI from time to time for the benefit of executive employees of FGI. The Executive shall be required to comply with the conditions attendant to participation in and coverage by such plans and shall comply with and, except as otherwise provided herein, shall be entitled to benefits only in accordance with the terms and conditions of such plans as they may be amended from time to time. Nothing herein contained shall be construed as requiring FGI to establish or continue any particular benefit plan in discharge of its obligations under this Agreement.

6. Other Benefits and Reimbursements.

(a) During the Employment Period, the Executive shall be entitled to not less than four (4) weeks of paid vacation each year of his employment hereunder, which shall accumulate if not used in any given year. Pursuant to the provisions of this Agreement, vacation time earned but unused shall be paid to the Executive upon termination of this Agreement.

(b) During the Employment Period, the Executive shall be entitled to such other employment benefits extended or provided to other key executives of FGI, including, but not limited to, payment or reimbursement of all business expenses incurred by the Executive in the performance of his duties and other job related activities set forth in this Agreement or subsequently agreed to by the parties and in the promotion of the Business in accordance with FGI customary policies and procedures. The Executive shall submit to FGI periodic statements of all expenses so incurred. Subject to such audits as FGI may deem necessary, FGI shall reimburse the Executive the full amount of any such expenses advanced by him in the ordinary course of business.

7. Deductions from Salary and Benefits. FGI shall withhold from any compensation, bonus or benefits payable to the Executive all customary federal, state, local and other withholdings, including, without limitation, federal and state withholding taxes, social security taxes and state disability insurance.

8. Termination by FGI. FGI may terminate Executive's employment under this Agreement upon at least sixty (60) calendar days ("Notice Period") written notice ("Notice") to the Executive of its intent to terminate Executive's employment:

(a) without Cause (as defined in subsection 8(b) below). The Notice shall specify that such Termination is without Cause, and upon the expiration of the Notice Period, FGI shall, on the condition that Executive executes a general release of claims on terms customarily and normally used by FGI at the time, (i) pay the Executive in a lump sum an amount equal to twice his then current Base Salary, (ii) provide to the Executive medical insurance, on the same basis on which he is receiving such insurance at the time of termination, for a period ending the earlier of two (2) years from the date of termination of this Agreement or the date Executive is covered by another medical plan at a cost to the Executive equal to the amount that would have been charged to the Executive in accordance with the terms of this Agreement, and (iii) an amount equal to $50,000 for relocation expenses (the payment or provision of the items in this Section 8(a) are referred to in this Agreement as the "Executive Payments");

(b) for Cause (as defined below). The Notice shall specify the particulars of such Cause and shall afford the Executive an opportunity to discuss the particulars of such Cause with the Chief Executive Officer of FGI and to cure such Cause. If such Cause shall not be cured accordingly, Executive's employment shall terminate upon expiration of the Notice Period and no compensation shall be due to the Executive beyond the date of such termination (other than pursuant to pension or other plans which by their terms provide payments beyond the date of termination in such circumstances, including but not limited to, the Ferrell Companies Inc. Employee Stock Ownership Plan, FGI's non-qualified deferred compensation plan, the FCI Nonqualified Stock Option Agreement and vacation earned but not taken ("collectively, the "FGI Benefit Plans")). For purposes of this Agreement "Cause" means: (i) the conviction of Executive by a court of competent jurisdiction of, or entry ----- of a plea of nolo contendere with respect to, a felony or any other crime, which other crime involves fraud, dishonesty or ---- ---------- moral turpitude which materially interferes with the performance of Executive's duties, responsibilities or obligations under this Agreement; (ii) fraud or embezzlement related to FGI or the Partnerships on the part of Executive; (iii) Executive's chronic abuse of or dependency on alcohol or drugs (illicit or otherwise) which materially interferes with the performance of Executive's duties, responsibilities or obligations under this Agreement; (iv) the material breach by Executive of any of Sections 16, 17 or 18 hereof, except as permitted pursuant to Section 12 hereof; (v) any act of moral turpitude or willful misconduct by Executive which (A) results in substantial personal enrichment of the Executive at the expense of FGI or the Partnerships, or (B) is reasonably expected to have a material adverse impact on the Business or reputation of FGI; (vi) gross and willful neglect of material duties and responsibilities of the Executive pursuant hereto, or an intentional violation

of a material term of this Agreement; or (vii) any material violation of any statutory or common law fiduciary duty of Executive to FGI or the Partnerships; or (viii) willful failure by the Executive to comply with a material FGI policy, which results in a material, adverse impact on the Business, as reasonably determined by the Chief Executive Officer of FGI, or (ix) repeated gross insubordination.

9. Termination by the Executive. The Executive may terminate his employment under this Agreement upon at least thirty (30) calendar days' ("Executive Notice Period") written notice ("Executive Notice") to FGI of such termination:

(a) without Executive Cause (as defined below), upon expiration of the Executive Notice Period, in which event no compensation shall be due him beyond the date of such termination other than pursuant to the FGI Benefit Plans; or

(b) for Executive Cause. The Executive Notice shall specify the particulars of such Executive Cause and during the Executive Notice Period, the Executive shall afford the Chief Executive Officer an opportunity to discuss the particulars of such Executive Cause with the Executive and to cure such Executive Cause to the satisfaction of the Executive during the Executive Notice Period. If such Executive Cause shall not be cured accordingly, Executive's employment shall terminate upon expiration of the Executive Notice Period. In all events, Executive shall be paid all payments and benefits due him during the Employment Period, and FGI shall pay the Executive in a lump sum or provide to the Executive, as applicable, the Executive Payments on the condition that Executive executes a general release of claims on terms customarily and normally used by FGI at the time. "Executive Cause" means any of the following to which the Executive does not agree: (i) assignment ---------- to the Executive of duties or responsibilities, or the material diminution of duties or responsibilities, that are inconsistent with his position, duties, responsibilities or status as they exist at the commencement of the term of this Agreement; (ii) material change in the reporting responsibilities of the Executive; provided, however, that, notwithstanding the effect of changes on the Board under Section 12 hereof, changes in the identity of persons on the Board shall not be considered a change in reporting responsibilities for purposes of this Section, (iii) relocation of the Executive's physical office or of FGI's corporate offices to a site beyond a fifty (50) mile radius of its current location of One Liberty Plaza, Liberty, Missouri; (iv) failure by any of FGI's successors in interest to assume this Agreement in writing simultaneously with becoming a successor in interest; (v) failure of FGI to maintain Director's and Officer's insurance; or, (vi) a breach of any provision of this Agreement by FGI.

10. Nondisparagement. During the term of this Agreement and for a period of two (2) years after it is terminated, for whatever reason, Executive agrees that he will not make any statements or provide any information that would tend to disparage, defame or denigrate FGI, its affiliates, related entities and any of its or their former or current officers, directors, agents or employees.

11. Cooperation. In the event that FGI or any of its affiliates becomes involved in any civil or criminal litigation, administrative proceeding or governmental investigation, Executive shall, upon request, provide reasonable cooperation and assistance to FGI, including without limitation, furnishing relevant information, attending meetings and providing statements and testimony. FGI will reimburse Executive for all reasonable and necessary expenses he incurs in complying with this Section 11. In addition, at any time more than two (2) years after the termination of this Agreement for any reason, Executive need not comply with this Section 11 unless FGI has agreed in writing to reimburse Executive's employer, if applicable, or to reimburse Executive if self-employed, for Executive's time at a rate agreed to by the applicable parties.

12. Effect of Certain Transactions; Change in Control.

(a) In the event of a Change in Control (as hereinafter defined) FGI shall pay the Executive, not later than thirty (30) calendar days after such Change in Control, a lump cash sum equal to the greater of (A) two and one-half (2.5) times 125% of his then current Base Salary, or (B) two and one-half (2.5) times the average actual cash compensation (including, but not limited to, bonuses) paid for the prior three (3) fiscal years prior to such Change in Control. Such payment shall reduce any lump sum Executive Payments payable to the Executive under Sections 8 or 9. In addition, if the Executive's employment is terminated pursuant to Section 8(a) or 9(b) within eighteen (18) months after such Change in Control, (i) FGI shall pay the Executive for any vacation earned by the Executive but not taken and any other amounts earned but unpaid, (ii) FGI shall pay the Executive a pro rata portion (such proration shall be on the basis that the number of months of his employment during FGI's then current fiscal year bears to the number 12, considering the month of termination as a month of full employment, and in the case of any plan measured over a full year, such determination and payment shall be made after the close of such year of any amounts to which he would have otherwise been entitled under any Company perquisite to which Executive is a participant (excluding any bonus), and (iii) FGI shall continue the Executive's health, accident and life insurance benefits at FGI's cost on the same basis on which he is receiving such benefits at the time of termination, until the earlier of the COBRA period of eighteen (18) months after the month in which such termination occurs or Executive obtains coverage under another plan or comparable coverage. For purposes of calculating any bonus to be paid to the Executive pursuant to this Section 12, the Executive shall be entitled to the payment of any bonus normally calculated with reference to a future period based upon the total amount paid for such bonus in the three (3) previous fiscal years.

(b) For purposes of this Agreement a "Change In Control" shall be deemed to occur if:

(i) FGI or FCI (FGI and FCI will hereinafter be jointly and severally referred to as "Company" or the "Companies" as the context so requires) or either Partnership merges with or is

consolidated into another corporation or other entity not theretofore affiliated with either Company or Partnership (i.e., controlled by, controlling or under common control with the Companies or the Partnerships, as applicable) and the Company or Partnership so merging or consolidating is not the surviving entity pursuant to such merger or consolidation (other than a transaction in which the persons who were the equity owners of the Company or Partnership so merging own more than 50% of the surviving entity);

(ii) All or substantially all of the assets of either Company or Partnership are acquired by another corporation or other entity not theretofore affiliated with either Company or Partnership in a single transaction or a series of related transactions, and a majority of the then current Board of Directors of neither Company does not control the entity that has made such acquisition;

(iii) There is consummated any transaction or series of transactions or any event or series of events, the result of which is that FGI is no longer the sole general partner of either Partnership;

(iv) There is consummated any transaction or series of transactions or any event or series of events, the result of which is that the Board of FGI does not have control of the affairs of either Partnership;

(v) There is consummated a purchase or other acquisition by any persons, entity or group of persons, within the meaning of Section 13(d) or 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") (excluding, for this purpose, either Company or its subsidiaries or any employee benefit plan of either Company or its subsidiaries), of the beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 50% or more of either the then-outstanding equity securities of either Company or Partnership or the combined voting power of either Company's or Partnership's then-outstanding voting securities;

(vi) Individuals who, as of the date hereof, constitute the Board of either Company (as the date hereof, the "Incumbent Boards") cease for any reason to constitute at least a majority of the Boards, provided that any person who becomes a director subsequent to the date hereof whose election, or nomination for election by either Company's equity owners, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board (other than an individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of directors of either Company, as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) shall be, for purposes of this section, considered as though such person were a member of the applicable Incumbent Board;

(vii) There is consummated a reorganization, merger or consolidation, in each case with respect to which persons who were the equity holders of either Company or Partnership immediately prior to such reorganization, merger or consolidation do not, immediately thereafter, own more than 50% of, respectively, the equity securities and the combined voting power entitled to vote generally in the elections of directors or managers of the reorganized, merged or consolidated entity's then-outstanding voting securities;

(viii) There is a liquidation or dissolution of either Company or Partnership (other than a liquidation or dissolution where the equity owners of the surviving Company or Partnership do not change) or of the sale of all or substantially all of the assets of either Company or Partnership;

(ix) There is consummated a public sale of a "material" amount of FCI's equity (with materiality being determined by the Committee administering the Ferrell Companies Inc. Employee Stock Ownership Trust ("ESOT"), but with a material amount of such equity being at least 50% thereof).

13. Mitigation or Reduction of Benefits. Executive shall not be required to mitigate or reduce the amount of any payment upon termination provided for herein by seeking other employment or otherwise nor, except as otherwise specifically set forth herein, shall the amount of any payment or benefits provided upon termination be reduced by any compensation or other amounts paid to or earned by Executive as the result of employment by another employer after such termination or otherwise.

14. Certain Additional Payments by FGI.

(a) Notwithstanding anything in this Agreement to the contrary and except as set forth below, in the event it shall be determined that any payment, benefit or distribution (or contribution thereof) from FGI, any affiliate, or trusts established by FGI or by any affiliate, for the benefit of its employees, to the Executive or for the Executive's benefit (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, but determined without regard to any additional payments required under this Section, and with a "Payment" including, without limitation, the vesting of an option or other non-cash benefit or property) (any of which are referred to as a "Payment") would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code"), or - ---- any interest or penalties are incurred by the Executive with respect to such excise tax (such excise tax, together with any such interest and penalties,

are hereinafter collectively referred to as the "Excise Tax"), then the Executive shall be ---------- entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by the Executive of - ---------- all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the sum of (i) the Excise Tax imposed upon the Payments; plus (ii) an amount equal to the product of any deductions disallowed to Executive for federal, state, or local income tax purposes solely because of the inclusion of the Gross-up Payment in the Executive's adjusted gross income multiplied by the highest applicable marginal rate of federal, state, or local income taxation, respectively, for the calendar year in which the Gross-up Payment is to be made.

(b) Subject to the provisions of Section 14(c), all determinations required to be made under this Section 14, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by a nationally recognized certified public accounting firm as may be designated by the Executive (the "Accounting Firm") which shall provide detailed supporting calculations both to FGI and the ---------- Executive within fifteen (15) business days of the receipt of notice from the Executive that there has been a Payment, or such earlier time as is requested by FGI. In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity or group effecting a Change of Control, the Executive shall appoint another nationally recognized accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All fees and expenses of the Accounting Firm shall be borne solely by FGI. Any Gross-Up Payment, as determined pursuant to this Section 14, shall be paid by FGI to the Executive within five (5) calendar days of the receipt of the Accounting Firm's determination. Any determination by the Accounting Firm shall be binding upon FGI and the Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by FGI should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event that ---------- FGI exhausts its remedies pursuant to Section 14(c) and the Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by FGI to or for the benefit of the Executive.

(c) The Executive shall notify FGI in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by FGI of the Gross-Up Payment. Such notification shall be given as soon as practicable but no later than thirty (30) business days after the Executive is informed in writing of such claim and shall apprise FGI of the nature of such claim and the date on which such claim is requested to be paid. The Executive shall not pay such claim prior to the expiration of the 30-day period following the date on which the Executive gives such notice to FGI (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If FGI notifies the Executive in writing prior to the expiration of such period that it desires to contest such claim, the Executive shall:

(i) give FGI any information reasonably requested by FGI relating to such claim,

(ii) take such action in connection with contesting such claim as FGI shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by FGI,

(iii) cooperate with FGI in good faith in order to effectively contest such claim, and

(iv) permit FGI to participate in any proceedings relating to such claim;

provided, however, that FGI shall bear and pay directly all costs and expenses (including attorneys' fees and costs and additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Section 14(c), FGI shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as FGI shall determine; provided, however, that if FGI directs the Executive to pay such claim and sue for a refund, FGI shall advance the amount of such payment to the Executive, on an interest-free basis and shall indemnify and hold Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, FGI's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Executive shall be entitled to settle or

contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

If, after the receipt by the Executive of an amount advanced by FGI pursuant to Section 14(c), the Executive becomes entitled to receive any refund with respect to such claim, the Executive shall (subject to FGI's complying with the requirements of Section 14(c)) promptly pay to FGI the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Executive of an amount advanced by FGI pursuant to Section 14(c), a determination is made that the Executive shall not be entitled to any refund with respect to such claim and FGI does not notify the Executive in writing of its intent to contest such denial of refund prior to the expiration of thirty (30) calendar days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

15. Indemnification. Executive has executed on _____ a Director/Officer Indemnification Agreement which agreement controls the terms of indemnification between the parties.

16. Confidential Information.

(a) In connection with Executive's employment, FGI will disclose and/or has disclosed to Executive certain Confidential Information (defined below). The Confidential Information is not generally known to others and could have economic value if disclosed to others and/or used by Executive, directly or indirectly, in competition with FGI or the Partnerships. Further, Executive will in the future participate in the development of, have access to, or use in performing Executive's employment duties, some or all of the Confidential Information. FGI makes reasonable efforts to keep its Confidential Information secret and confidential, and Executive has a duty to keep it secret and confidential.

(b) Executive may have significant contacts with the customers and accounts of FGI and/or be provided with FGI's confidential customer and customer-related information, including various customer lists, analyses, and summaries. These contacts and/or this information could enable Executive, at FGI's expense, to have access to and establish favorable relations with, and put Executive in a position to influence, FGI's customers and accounts.

(c) FGI's customer lists and customer information are trade secrets, and this Agreement is intended, among other things, to protect FGI's trade secrets, customer relationships, customer goodwill and other business interests.

(d) The Executive will not use or reveal Confidential Information to anyone other than for on or behalf of FGI both during and after Executive's employment.

(e) Executive shall keep all Confidential Information secret and confidential.

(f) Executive shall return to FGI all Confidential Information and all property of FGI immediately upon termination of Executive's employment for any reason and also at any time upon FGI's request.

(g) "Confidential Information" shall mean: (i) Company Information (as defined below); (ii) Customer Information (as defined below); and (iii) all other information, whether or not reduced to writing, relating to the Partnerships, the Business or FGI's customers which gives FGI an advantage over competitors who do not know or use it, have not compiled the information themselves, or is otherwise not generally known in the industry, including, but not limited to, trade secrets, proprietary information, customer lists, route books, inventions, computer programs and software, and including information conceived, originated, or developed by Executive. Confidential Information includes, but is not limited to, originals and copies of all materials containing such information, regardless of the media used to record such information, including but not limited to computers, computer disks, CD ROMS, or other electronic media, microfiche or microfilm.

(h) "Company Information" shall mean: Information that FGI, the Companies or the Partnerships have developed, acquired, organized, compiled or maintained regarding FGI's products, services, processes, methods, operations, proposals, projects, contracts, bids, pricing, costs, profitability, marketing plans and strategies, revenues and finances to the extent not subject to public disclosure requirements, business relationships, correspondence, and other matters related to FGI's development and operation of the Business.

(i) "Customer Information" shall mean: Information that FGI or the Partnerships have developed, acquired, organized, compiled, or maintained by FGI regarding FGI's customers, former customers and prospective customers while developing and operating the Business, including, but not limited to, information relating to their identity, location, personnel, usage of petroleum products, and incidental or related appliances, equipment and supplies, purchasing experience, delivery schedules and routing, payment habits, credit experience, ownership of storage facilities, contract renewal and expiration dates,

pricing, and other terms and conditions contained in their contracts with FGI or its predecessors.

17. Inventions and Patents. Executive agrees that all inventions, innovations, improvements, developments, methods, designs, analyses, drawings, reports, and all similar or related information which relates to the Companies' actual or anticipated business (to the extent the Executive is aware thereof), research and development or existing or future products or services and which are conceived, developed or made by Executive while employed by FGI or any of its affiliates (whether prior to or during the Employment Period) ("Work Product") belong to FGI or such other affiliate, and Executive hereby assigns to FGI his entire right, title and interest in any such Work Product. Executive will promptly disclose such Work Product to the Chief Executive Officer of FGI and perform all actions reasonably requested by the Chief Executive Officer of FGI (whether during or after Executive's Employment Period) to establish and confirm such ownership (including, without limitation, assignments, consents, powers of attorney and other instruments).

18. Noncompete; Nonsolicitation.

(a) Executive acknowledges that in the course of his employment with FGI he will become familiar with Confidential Information and that his services will be of special, unique and extraordinary value to FGI. Therefore, Executive agrees that, during the time he is employed by FGI pursuant hereto and for two (2) years thereafter (the "Noncompete Period"), in the entire ---------- United States and any other countries in which the Companies or Partnerships are providing, or actively planning to provide goods and services, he will not: (i) compete with the Companies or the Partnerships in the sale of propane or related competitive products or services; (ii) directly or indirectly, in person or through others, for the benefit of Executive or another, call upon, solicit, sell, divert, take away, deliver to, accept business or orders from or otherwise engage in propane-related business with FGI's Customers (as defined below), nor shall Executive, in any capacity, assist others to do so; or (iii) directly or indirectly interfere with the business relationship between FGI and any FGI Customers. The restrictions in this paragraph apply only to products and services that are competitive with the Business and/or products and services of FGI.

(b) While employed by FGI and for two (2) years thereafter, Executive will not (i) interfere with, disrupt, or attempt to disrupt relations, contractual or otherwise, between FGI and its employees, vendors or suppliers, or (ii) hire or take away, directly or indirectly, any FGI employee.

(c) "Customers" shall mean: (i) all persons, firms, corporations, and other business enterprises for whom FGI performs or performed services or to whom FGI sells or sold products, appliances, equipment, or supplies during the two year period immediately prior to the termination of Executive's employment; and (ii) all persons, corporations, and other business enterprises actively solicited by FGI or to whom FGI has furnished a quotation or proposal or estimate for the sale of products or services within the one year period immediately prior to the termination of Executive's employment. Customers of FGI shall include, but not be limited to, those for whom either Executive or anyone under Executive's supervision provided products or services and those who may have become customers through the efforts of Executive while employed by FGI.

(d) FGI and Executive agree that: (i) the covenants set forth in Sections 16 and 18 are reasonable in geographical and temporal scope and in all other respects, (ii) FGI would not have entered into this Agreement but for these covenants of Executive contained herein, and (iii) these covenants contained herein have been made in order to induce FGI to enter into this Agreement.

(e) If, at the time of enforcement of this Section 18, 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 or arbitrator shall be allowed to revise the restrictions contained herein to cover the maximum period, scope and area permitted by law.

(f) FGI does not have to enforce all provisions of Sections 16 and 18 of this Agreement at all times to preserve its rights to enforce any other provision of Sections 16 and 18 of this Agreement. Executive also acknowledges FGI does not have to enforce similar agreements with other employees and/or officers to preserve its rights to enforce Sections 16 and 18 of this Agreement with Executive.

(g) Executive shall provide a copy of this Agreement to any new or potential employer which competes against the Companies or the Partnerships.

19. Arbitration.

(a) Except as set forth in Section 19(c), 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 Executive's employment relationship with FGI, or the termination of Executive's employment relationship with FGI, including any Claim against any parent, subsidiary, or affiliated entity of FGI, or any director, officer, general or limited partner, employee or agent of FGI 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 FGI seeking injunctive relief or damages for breach or enforcement of Sections 16 or 18 of the Agreement. This agreement to arbitrate also does not apply to any claims by Executive: (a) for workers' compensation benefits; (b) for unemployment insurance benefits; (c) under a benefit plan where the plan specifies a separate arbitration procedure; (d) filed with an administrative agency which are not legally subject to arbitration under this Agreement; or (e) 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 Liberty or Kansas City, Missouri 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 Executive and FGI, 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 Executive. 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.

(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.

20. FGI's Right to Injunctive Relief, Tolling. In the event of a breach or threatened breach of any of the Executive's duties and obligations under the terms and provisions of Sections 16, 17 or 18 hereof, FGI shall be entitled, in addition to any other legal or equitable remedies it may have in connection therewith (including any right to damages that it may suffer), to temporary, preliminary, and permanent injunctive relief restraining such breach or threatened breach. The Executive hereby expressly acknowledges that the harm which might result to the Business as a result of any noncompliance by the Executive with any of the provisions of sections 16, 17 or 18 hereof would be largely irreparable.

21. Judicial Enforcement. If any provision of this Agreement is adjudicated to be invalid or unenforceable under applicable law in any jurisdiction, the validity or enforceability of the remaining provisions thereof shall be unaffected as to such jurisdiction and such adjudication shall not affect the validity or enforceability of such provisions in any other jurisdiction. To the extent that any provision of this Agreement is adjudicated to be invalid or unenforceable because it is overbroad, that provision shall not be void but rather shall be limited only to the extent required by applicable law and enforced as so limited. The parties expressly acknowledge and agree that this Section is reasonable in view of the parties' respective interests.

22. Executive Warranties and Representations. The Executive warrants and represents that the execution and delivery of the Agreement and the Executive's employment with FGI do not violate any previous employment agreement or other contractual obligation of the Executive.

23. Survival. The provisions of this Agreement, except as otherwise provided herein, shall continue in full force in accordance with their terms notwithstanding any termination of Executive's employment by FGI.

24. Right to Recover Costs and Fees. The Executive and FGI undertake and agree that if either the Executive or FGI breach or threaten to breach Sections 16 or 18 of this Agreement (the "Breaching Party"), the Breaching Party shall be liable for any attorneys' fees and costs incurred by the non-Breaching Party in enforcing the non-Breaching Party's rights hereunder.

25. Executive Right. If the Executive believes that any benefit on account of the termination of the Executive's service with FGI under this Agreement has not been paid by FGI within fifteen (15) days after the date on which that benefit should have been paid to the Executive under the terms of this Agreement, the Executive may give notice to FGI of that failure and the amount of the benefit that should have been paid. FGI shall pay the Executive the amount specified in that notice within thirty (30) days after its receipt of the notice; provided, however, that the payment shall not preclude FGI from disputing that payment in accordance with the arbitration provisions of this Agreement.

26. Entire Agreement, Amendments and Modifications. This Agreement constitutes the entire agreement and understanding of the parties regarding the employment of Executive by FGI and supersedes all prior agreements and understandings between the Executive and FGI to the extent that any such agreements or understandings conflict with the terms of this Agreement. The parties specifically agree that the Option Grantee Agreement entered into between Executive and Ferrellgas is hereby terminated. No modification, amendment or waiver of any of the provisions of this Agreement shall be effective unless in writing specifically referring hereto, and signed by the parties hereto.

27. Assignments. This Agreement shall be freely assignable by FGI to, and shall inure to the benefit of and be binding upon, its successors and assigns and/or any other entity which shall succeed to the business presently being conducted by FGI or the Partnerships. In that regard, FGI shall assign and shall require any successor, whether in a Change of Control transaction or not, of either of the Companies or any of the Partnerships to expressly assume in writing FGI's obligations under this Agreement simultaneously with the consummation of an applicable transaction, which assumption shall not relieve FGI of any of its obligations hereunder. Being a contract for personal services, neither this Agreement nor any rights hereunder shall be assigned by the Executive; provided, however that the rights and benefits hereunder shall inure to and be enforceable by the Executive's estate, heirs, executors, administrators or legal guardians or representatives.

28. Choice of Forum; Governing Law. In light of FGI's substantial contacts with the State of Missouri, the parties' interests in ensuring that disputes regarding the interpretation, validity, and enforceability of this Agreement are resolved on a uniform basis, and FGI's execution of, and the making of, this Agreement in Missouri, the parties agree that: (i) any litigation involving this Agreement shall be filed and conducted in the state or federal courts in the State of Missouri; and (ii) the Agreement shall be interpreted in accordance with and governed by the laws of the State of Missouri, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of Missouri or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Missouri.

29. Headings and Interpretation. Section headings are provided in this Agreement for convenience only and shall not be deemed to substantively alter the content of such sections. Whenever the words "include", "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation". References to the singular or plural tense of a word shall also include the plural or singular as the context may require.

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 of this

Agreement, 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 or schedule hereto.

31. Notices. Any notice, request, consent or communication (collectively, a "Notice") under this Agreement shall be effective only if it is in writing and (i) personally delivered with written receipt thereof, (ii) sent by certified or registered mail, return receipt requested, postage prepaid or (iii) sent by a nationally recognized overnight delivery service, with delivery confirmed, addressed as follows (or at such other address for a party as shall be specified by like notice):

(a) If to the Executive, to: Boyd H. McGathey
[Address]

(b) with a copy to: Bryan Cave LLP
One Kansas City Place
1200 Main Street
Kansas City, Missouri 64105
Attn: Beth Romans Bower

(c) If to FGI, to: Ferrellgas, Inc.
One Liberty Plaza
Liberty, Missouri 64068
Attention: Mr. Danley K. Sheldon

A Notice shall be deemed to have been given as of the date when (i) personally delivered as indicated by date of receipt, (ii) five (5) days after the date when deposited with the United States certified mail, return receipt requested, properly addressed, or (iii) when receipt of a Notice sent by an overnight delivery service is confirmed by such overnight delivery service, as the case may be, unless the sending party has actual knowledge that a Notice was not received by the intended recipient.

32. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and together shall constitute one and the same Agreement.

(The remainder of this page has been left blank intentionally.)

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the day and year first above written.

FERRELLGAS, INC. EXECUTIVE

By:_____
Name:_____ Boyd H. McGathey
Title:_____

PLEASE NOTE: BY SIGNING THIS AGREEMENT, EXECUTIVE IS HEREBY CERTIFYING THAT EXECUTIVE (A) HAS RECEIVED A COPY OF THIS AGREEMENT FOR REVIEW AND STUDY BEFORE EXECUTING IT; (B) HAS READ THIS AGREEMENT CAREFULLY BEFORE SIGNING IT; (C) UNDERSTANDS THAT THIS AGREEMENT CONTAINS A BINDING ARBITRATION PROVISION; (D) HAS HAD SUFFICIENT OPPORTUNITY BEFORE SIGNING THE AGREEMENT TO ASK ANY QUESTIONS EXECUTIVE HAS ABOUT THE AGREEMENT AND HAS RECEIVED SATISFACTORY ANSWERS TO ALL SUCH QUESTIONS; AND (E) UNDERSTANDS EXECUTIVE'S RIGHTS AND OBLIGATIONS UNDER THE AGREEMENT.

EMPLOYMENT, CONFIDENTIALITY, AND NONCOMPETE AGREEMENT

This Employment, Confidentiality, and Noncompete Agreement ("Agreement") is made and entered into this ____ day of _____, 2000 by and between Ferrellgas, Inc., a Delaware corporation ("FGI") and Kevin T. Kelly (the "Executive").

WHEREAS, 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", and referred to herein jointly and severally with Ferrellgas Partners as the "Partnership" or "Partnerships" as the context so requires), which are engaged primarily in the sale, distribution and marketing of propane and other natural gas liquids (the "Business").

WHEREAS, FGI, through the Partnerships, conducts the Business throughout the United States.

WHEREAS, FGI, through the Partnerships, has expended a great deal of time, money, and effort to develop and maintain proprietary Confidential Information (as defined below) which, if misused or disclosed, could be harmful to the Business.

WHEREAS, the success of FGI depends to a substantial extent upon the protection of the Confidential Information and customer goodwill by all of its employees and the employees of the Partnerships.

WHEREAS, the Executive desires to be employed by FGI and Ferrell Companies, Inc., a Kansas corporation, as Vice President and Chief Financial Officer.

WHEREAS, the Executive desires to be eligible for other opportunities within FGI and/or compensation increases which otherwise would not be available to the Executive and to be given access to Confidential Information, of FGI and the Partnerships which is necessary for the Executive to perform his duties, but which FGI would not make available to the Executive but for the Executive's signing and agreeing to abide by the terms of this Agreement as a condition of the Executive's employment and continued employment with FGI.

WHEREAS, the Executive recognizes and acknowledges that the Executive's position with FGI has provided and/or will continue to provide the Executive with access to Confidential Information of FGI and the Partnerships.

NOW, THEREFORE, in consideration of the compensation and other benefits of the Executive's employment by FGI and the recitals, mutual covenants and agreements hereinbefore and hereinafter set forth, the Executive and FGI agree as follows:

1. Term. The Executive is hereby employed by FGI, and the Executive hereby accepts such employment upon the terms and conditions set forth herein. The Executive's term of employment under this Agreement shall be for a period of three (3) years, commencing on July 24, 2000, and shall continue for a period through and including July 24, 2003 (the "Initial Period"), unless earlier terminated pursuant to the terms and conditions of this Agreement. Notwithstanding anything herein to the contrary, this Agreement and the term of employment, unless either FGI or the Executive provides six (6) months written notice to the other party hereto that the Agreement shall not renew upon expiration of the then current employment period and, subject to Sections 8 and 9, shall be automatically renewed for one year successive periods following the Initial Period (each a "Successive Period" and together with the Initial Period, the "Employment Period").

2. Duties and Responsibilities. During the Employment Period, the Executive shall be employed as Vice President and Chief Financial Officer of FGI, with such duties and responsibilities as are customarily incident to such offices. The precise services of the Executive may be extended or curtailed at the discretion of FGI, so long as after such extension or curtailment, the duties of the Executive are consistent with the duties normally attendant to the aforesaid offices. The Executive will perform his duties in a diligent, trustworthy, loyal, and business-like manner, all for the purpose of advancing the Business.

3. Performance of Services. During the Employment Period, the Executive shall devote his primary time, attention and energies to the Business and shall not during such time be substantially engaged in any other business activity whether or not such business activity is pursued for gain, profit, or other pecuniary advantage; provided, however, that nothing herein shall be construed as preventing the Executive (i) from being involved in civic, philanthropic or community service activities, from participating in other businesses and receiving compensation therefore, to the extent that such involvement and participation does not involve management or participation in day-to-day activities thereof and does not detract from the performance by the Executive of his duties to FGI pursuant hereto; provided, further, that at the request of the Chief Executive Officer of FGI, the Executive shall disclose such involvement therein, or (ii) from investing his assets in such form or manner as will not require any appreciable services on the part of the Executive in the operation of the affairs of any entity in which such investments are made, so long as such activities do not substantially interfere or conflict with the Executive's discharge of his duties and responsibilities hereunder. The Executive agrees to follow and act in accordance with all of the rules, policies, and procedures of FGI.

4. Compensation.

(a) During the Employment Period, Executive's base salary shall be not less than $180,000 per year ("Base Salary"), payable in regular installments in accordance with FGI's usual payroll practices and subject to review and increase consistent with practices of FGI in effect from time to

time during the Employment Period, but shall not be reduced. Executive's Base Salary shall be reviewed annually by the Chief Executive Officer of FGI with the advice and consent of the compensation committee.

(b) Annual Bonus. Executive may be eligible for an annual bonus based on a target bonus of 50% of base pay. The terms of any such annual bonus plan shall be at the discretion of the Board of Directors of FGI; however, the terms of such plan, if any, shall be committed to by FGI, in writing, within 30 days after the beginning of each fiscal year.

5. Benefit Plans. During the Employment Period and as otherwise provided herein, the Executive shall be entitled to participate in any and all employee welfare and health benefit plans (including, but not limited to life insurance, health and medical, dental, and disability plans) and other employee benefit plans (including, but not limited to qualified pension plans and Ferrell Companies, Inc. ("FCI") stock incentive plans), established by FGI and FCI from time to time for the benefit of executive employees of FGI and FCI. The Executive shall be required to comply with the conditions attendant to participation in and coverage by such plans and shall comply with and, except as otherwise provided herein, shall be entitled to benefits only in accordance with the terms and conditions of such plans as they may be amended from time to time. Nothing herein contained shall be construed as requiring FGI to establish or continue any particular benefit plan in discharge of its obligations under this Agreement.

6. Other Benefits and Reimbursements.

(a) During the Employment Period, the Executive shall be entitled to not less than four (4) weeks of paid vacation each year of his employment hereunder, which shall accumulate if not used in any given year. Pursuant to the provisions of this Agreement, vacation time earned but unused shall be paid to the Executive upon termination of this Agreement.

(b) During the Employment Period, the Executive shall be entitled to such other employment benefits extended or provided to other key executives of FGI, including, but not limited to, payment or reimbursement of all business expenses incurred by the Executive in the performance of his duties and other job related activities set forth in this Agreement or subsequently agreed to by the parties and in the promotion of the Business in accordance with FGI customary policies and procedures. The Executive shall submit to FGI periodic statements of all expenses so incurred. Subject to such audits as FGI may deem necessary, FGI shall reimburse the Executive the full amount of any such expenses advanced by him in the ordinary course of business.

7. Deductions from Salary and Benefits. FGI shall withhold from any compensation, bonus or benefits payable to the Executive all customary federal, state, local and other withholdings, including, without limitation, federal and state withholding taxes, social security taxes and state disability insurance.

8. Termination by FGI. FGI may terminate Executive's employment under this Agreement upon at least sixty (60) calendar days ("Notice Period") written notice ("Notice") to the Executive of its intent to terminate Executive's employment:

(a) without Cause (as defined in subsection 8(b) below). The Notice shall specify that such Termination is without Cause, and upon the expiration of the Notice Period, FGI shall, on the condition that Executive executes a general release of claims on terms customarily and normally used by FGI at the time, (i) pay the Executive in a lump sum an amount equal to twice his then current Base Salary, and (ii) provide to the Executive medical insurance, on the same basis on which he is receiving such insurance at the time of termination, for a period ending the earlier of two (2) years from the date of termination of this Agreement or the date Executive is covered by another medical plan at a cost to the Executive equal to the amount that would have been charged to the Executive in accordance with the terms of this Agreement (the payment or provision of the items in this Section 8(a) are referred to in this Agreement as the "Executive Payments");

(b) for Cause (as defined below). The Notice shall specify the particulars of such Cause and shall afford the Executive an opportunity to discuss the particulars of such Cause with the Chief Executive Officer of FGI and to cure such Cause. If such Cause shall not be cured accordingly, Executive's employment shall terminate upon expiration of the Notice Period and no compensation shall be due to the Executive beyond the date of such termination (other than pursuant to pension or other plans which by their terms provide payments beyond the date of termination in such circumstances, including but not limited to, the Ferrell Companies Inc. Employee Stock Ownership Plan, FGI's non-qualified deferred compensation plan, the FCI Nonqualified Stock Option Agreement and vacation earned but not taken ("collectively, the "FGI Benefit Plans")). For purposes of this Agreement "Cause" means: (i) the conviction of Executive by a court of competent jurisdiction of, or entry ----- of a plea of nolo contendere with respect to, a felony or any other crime, which other crime involves fraud, dishonesty or ---- ---------- moral turpitude which materially interferes with the performance of Executive's duties, responsibilities or obligations under this Agreement; (ii) fraud or embezzlement related to FGI or the Partnerships on the part of Executive; (iii) Executive's chronic abuse of or dependency on alcohol or drugs (illicit or otherwise) which materially interferes with the performance of Executive's duties, responsibilities or obligations under this Agreement; (iv) the material breach by Executive of any of Sections 16, 17 or 18 hereof, except as permitted pursuant to Section 12 hereof; (v) any act of moral turpitude or willful misconduct by Executive which (A) results in substantial personal enrichment of the Executive at the expense of FGI or the Partnerships, or (B) is reasonably expected to have a material adverse impact on the Business or reputation of FGI; (vi) gross and willful neglect of material duties and responsibilities of the Executive pursuant hereto, or an intentional violation

of a material term of this Agreement; or (vii) any material violation of any statutory or common law fiduciary duty of Executive to FGI or the Partnerships; or (viii) willful failure by the Executive to comply with a material FGI policy, which results in a material, adverse impact on the Business, as reasonably determined by the Chief Executive Officer of FGI, or (ix) repeated gross insubordination.

9. Termination by the Executive. The Executive may terminate his employment under this Agreement upon at least thirty (30) calendar days' ("Executive Notice Period") written notice ("Executive Notice") to FGI of such termination:

(a) without Executive Cause (as defined below), upon expiration of the Executive Notice Period, in which event no compensation shall be due him beyond the date of such termination other than pursuant to the FGI Benefit Plans; or

(b) for Executive Cause. The Executive Notice shall specify the particulars of such Executive Cause and during the Executive Notice Period, the Executive shall afford the Chief Executive Officer an opportunity to discuss the particulars of such Executive Cause with the Executive and to cure such Executive Cause to the satisfaction of the Executive during the Executive Notice Period. If such Executive Cause shall not be cured accordingly, Executive's employment shall terminate upon expiration of the Executive Notice Period. In all events, Executive shall be paid all payments and benefits due him during the Employment Period, and FGI shall pay the Executive in a lump sum or provide to the Executive, as applicable, the Executive Payments on the condition that Executive executes a general release of claims on terms customarily and normally used by FGI at the time. "Executive Cause" means any of the following to which the Executive does not agree: (i) assignment ---------- to the Executive of duties or responsibilities, or the material diminution of duties or responsibilities, that are inconsistent with his position, duties, responsibilities or status as they exist at the commencement of the term of this Agreement; (ii) material change in the reporting responsibilities of the Executive; provided, however, that, notwithstanding the effect of changes on the Board under Section 12 hereof, changes in the identity of persons on the Board shall not be considered a change in reporting responsibilities for purposes of this Section, (iii) relocation of the Executive's physical office or of FGI's corporate offices to a site beyond a fifty (50) mile radius of its current location of One Liberty Plaza, Liberty, Missouri; (iv) failure by any of FGI's successors in interest to assume this Agreement in writing simultaneously with becoming a successor in interest; (v) failure of FGI to maintain Director's and Officer's insurance; or, (vi) a breach of any provision of this Agreement by FGI.

10. Nondisparagement. During the term of this Agreement and for a period of two (2) years after it is terminated, for whatever reason, Executive agrees that he will not make any statements or provide any information that would tend to disparage, defame or denigrate FGI, its affiliates, related entities and any of its or their former or current officers, directors, agents or employees.

11. Cooperation. In the event that FGI or any of its affiliates becomes involved in any civil or criminal litigation, administrative proceeding or governmental investigation, Executive shall, upon request, provide reasonable cooperation and assistance to FGI, including without limitation, furnishing relevant information, attending meetings and providing statements and testimony. FGI will reimburse Executive for all reasonable and necessary expenses he incurs in complying with this Section 11. In addition, at any time more than two (2) years after the termination of this Agreement for any reason, Executive need not comply with this Section 11 unless FGI has agreed in writing to reimburse Executive's employer, if applicable, or to reimburse Executive if self-employed, for Executive's time at a rate agreed to by the applicable parties.

12. Effect of Certain Transactions; Change in Control.

(a) In the event of a Change in Control (as hereinafter defined) FGI shall pay the Executive, not later than thirty (30) calendar days after such Change in Control, a lump cash sum equal to the greater of (A) two and one-half (2.5) times 125% of his then current Base Salary, or (B) two and one-half (2.5) times the average actual cash compensation (including, but not limited to, bonuses) paid for the prior three (3) fiscal years prior to such Change in Control. Such payment shall reduce any lump sum Executive Payments payable to the Executive under Sections 8 or 9. In addition, if the Executive's employment is terminated pursuant to Section 8(a) or 9(b) within eighteen (18) months after such Change in Control, (i) FGI shall pay the Executive for any vacation earned by the Executive but not taken and any other amounts earned but unpaid, (ii) FGI shall pay the Executive a pro rata portion (such proration shall be on the basis that the number of months of his employment during FGI's then current fiscal year bears to the number 12, considering the month of termination as a month of full employment, and in the case of any plan measured over a full year, such determination and payment shall be made after the close of such year of any amounts to which he would have otherwise been entitled under any Company perquisite to which Executive is a participant (excluding any bonus), and (iii) FGI shall continue the Executive's health, accident and life insurance benefits at FGI's cost on the same basis on which he is receiving such benefits at the time of termination, until the earlier of the COBRA period of eighteen (18) months after the month in which such termination occurs or Executive obtains coverage under another plan or comparable coverage. For purposes of calculating any bonus to be paid to the Executive pursuant to this Section 12, the Executive shall be entitled to the payment of any bonus normally calculated with reference to a future period based upon the total amount paid for such bonus in the three (3) previous fiscal years.

(b) For purposes of this Agreement a "Change In Control" shall be deemed to occur if:

(i) FGI or FCI (FGI and FCI will hereinafter be jointly and severally referred to as "Company" or the "Companies" as the context so requires) or either Partnership merges with or is

consolidated into another corporation or other entity not theretofore affiliated with either Company or Partnership (i.e., controlled by, controlling or under common control with the Companies or the Partnerships, as applicable) and the Company or Partnership so merging or consolidating is not the surviving entity pursuant to such merger or consolidation (other than a transaction in which the persons who were the equity owners of the Company or Partnership so merging own more than 50% of the surviving entity);

(ii) All or substantially all of the assets of either Company or Partnership are acquired by another corporation or other entity not theretofore affiliated with either Company or Partnership in a single transaction or a series of related transactions, and a majority of the then current Board of Directors of neither Company does not control the entity that has made such acquisition;

(iii) There is consummated any transaction or series of transactions or any event or series of events, the result of which is that FGI is no longer the sole general partner of either Partnership;

(iv) There is consummated any transaction or series of transactions or any event or series of events, the result of which is that the Board of FGI does not have control of the affairs of either Partnership;

(v) There is consummated a purchase or other acquisition by any persons, entity or group of persons, within the meaning of Section 13(d) or 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") (excluding, for this purpose, either Company or its subsidiaries or any employee benefit plan of either Company or its subsidiaries), of the beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 50% or more of either the then-outstanding equity securities of either Company or Partnership or the combined voting power of either Company's or Partnership's then-outstanding voting securities;

(vi) Individuals who, as of the date hereof, constitute the Board of either Company (as the date hereof, the "Incumbent Boards") cease for any reason to constitute at least a majority of the Boards, provided that any person who becomes a director subsequent to the date hereof whose election, or nomination for election by either Company's equity owners, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board (other than an individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of directors of either Company, as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) shall be, for purposes of this section, considered as though such person were a member of the applicable Incumbent Board;

(vii) There is consummated a reorganization, merger or consolidation, in each case with respect to which persons who were the equity holders of either Company or Partnership immediately prior to such reorganization, merger or consolidation do not, immediately thereafter, own more than 50% of, respectively, the equity securities and the combined voting power entitled to vote generally in the elections of directors or managers of the reorganized, merged or consolidated entity's then-outstanding voting securities;

(viii) There is a liquidation or dissolution of either Company or Partnership (other than a liquidation or dissolution where the equity owners of the surviving Company or Partnership do not change) or of the sale of all or substantially all of the assets of either Company or Partnership;

(ix) There is consummated a public sale of a "material" amount of FCI's equity (with materiality being determined by the Committee administering the Ferrell Companies Inc. Employee Stock Ownership Trust ("ESOT"), but with a material amount of such equity being at least 50% thereof).

13. Mitigation or Reduction of Benefits. Executive shall not be required to mitigate or reduce the amount of any payment upon termination provided for herein by seeking other employment or otherwise nor, except as otherwise specifically set forth herein, shall the amount of any payment or benefits provided upon termination be reduced by any compensation or other amounts paid to or earned by Executive as the result of employment by another employer after such termination or otherwise.

14. Certain Additional Payments by FGI.

(a) Notwithstanding anything in this Agreement to the contrary and except as set forth below, in the event it shall be determined that any payment, benefit or distribution (or contribution thereof) from FGI, any affiliate, or trusts established by FGI or by any affiliate, for the benefit of its employees, to the Executive or for the Executive's benefit (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, but determined without regard to any additional payments required under this Section, and with a "Payment" including, without limitation, the vesting of an option or other non-cash benefit or property) (any of which are referred to as a "Payment") would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code"), or - ---- any interest or penalties are incurred by the Executive with respect to such excise tax (such excise tax, together with any such interest and penalties,

are hereinafter collectively referred to as the "Excise Tax"), then the Executive shall be ---------- entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by the Executive of - ---------- all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the sum of (i) the Excise Tax imposed upon the Payments; plus (ii) an amount equal to the product of any deductions disallowed to Executive for federal, state, or local income tax purposes solely because of the inclusion of the Gross-up Payment in the Executive's adjusted gross income multiplied by the highest applicable marginal rate of federal, state, or local income taxation, respectively, for the calendar year in which the Gross-up Payment is to be made.

(b) Subject to the provisions of Section 14(c), all determinations required to be made under this Section 14, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by a nationally recognized certified public accounting firm as may be designated by the Executive (the "Accounting Firm") which shall provide detailed supporting calculations both to FGI and the ---------- Executive within fifteen (15) business days of the receipt of notice from the Executive that there has been a Payment, or such earlier time as is requested by FGI. In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity or group effecting a Change of Control, the Executive shall appoint another nationally recognized accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All fees and expenses of the Accounting Firm shall be borne solely by FGI. Any Gross-Up Payment, as determined pursuant to this Section 14, shall be paid by FGI to the Executive within five (5) calendar days of the receipt of the Accounting Firm's determination. Any determination by the Accounting Firm shall be binding upon FGI and the Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by FGI should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event that ---------- FGI exhausts its remedies pursuant to Section 14(c) and the Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by FGI to or for the benefit of the Executive.

(c) The Executive shall notify FGI in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by FGI of the Gross-Up Payment. Such notification shall be given as soon as practicable but no later than thirty (30) business days after the Executive is informed in writing of such claim and shall apprise FGI of the nature of such claim and the date on which such claim is requested to be paid. The Executive shall not pay such claim prior to the expiration of the 30-day period following the date on which the Executive gives such notice to FGI (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If FGI notifies the Executive in writing prior to the expiration of such period that it desires to contest such claim, the Executive shall:

(i) give FGI any information reasonably requested by FGI relating to such claim,

(ii) take such action in connection with contesting such claim as FGI shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by FGI,

(iii) cooperate with FGI in good faith in order to effectively contest such claim, and

(iv) permit FGI to participate in any proceedings relating to such claim;

provided, however, that FGI shall bear and pay directly all costs and expenses (including attorneys' fees and costs and additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Section 14(c), FGI shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as FGI shall determine; provided, however, that if FGI directs the Executive to pay such claim and sue for a refund, FGI shall advance the amount of such payment to the Executive, on an interest-free basis and shall indemnify and hold Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, FGI's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Executive shall be entitled to settle or

contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

If, after the receipt by the Executive of an amount advanced by FGI pursuant to Section 14(c), the Executive becomes entitled to receive any refund with respect to such claim, the Executive shall (subject to FGI's complying with the requirements of Section 14(c)) promptly pay to FGI the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Executive of an amount advanced by FGI pursuant to Section 14(c), a determination is made that the Executive shall not be entitled to any refund with respect to such claim and FGI does not notify the Executive in writing of its intent to contest such denial of refund prior to the expiration of thirty (30) calendar days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

15. Indemnification. Executive has executed on _____ a Director/Officer Indemnification Agreement which agreement controls the terms of indemnification between the parties.

16. Confidential Information.

(a) In connection with Executive's employment, FGI will disclose and/or has disclosed to Executive certain Confidential Information (defined below). The Confidential Information is not generally known to others and could have economic value if disclosed to others and/or used by Executive, directly or indirectly, in competition with FGI or the Partnerships. Further, Executive will in the future participate in the development of, have access to, or use in performing Executive's employment duties, some or all of the Confidential Information. FGI makes reasonable efforts to keep its Confidential Information secret and confidential, and Executive has a duty to keep it secret and confidential.

(b) Executive may have significant contacts with the customers and accounts of FGI and/or be provided with FGI's confidential customer and customer-related information, including various customer lists, analyses, and summaries. These contacts and/or this information could enable Executive, at FGI's expense, to have access to and establish favorable relations with, and put Executive in a position to influence, FGI's customers and accounts.

(c) FGI's customer lists and customer information are trade secrets, and this Agreement is intended, among other things, to protect FGI's trade secrets, customer relationships, customer goodwill and other business interests.

(d) The Executive will not use or reveal Confidential Information to anyone other than for on or behalf of FGI both during and after Executive's employment.

(e) Executive shall keep all Confidential Information secret and confidential.

(f) Executive shall return to FGI all Confidential Information and all property of FGI immediately upon termination of Executive's employment for any reason and also at any time upon FGI's request.

(g) "Confidential Information" shall mean: (i) Company Information (as defined below); (ii) Customer Information (as defined below); and (iii) all other information, whether or not reduced to writing, relating to the Partnerships, the Business or FGI's customers which gives FGI an advantage over competitors who do not know or use it, have not compiled the information themselves, or is otherwise not generally known in the industry, including, but not limited to, trade secrets, proprietary information, customer lists, route books, inventions, computer programs and software, and including information conceived, originated, or developed by Executive. Confidential Information includes, but is not limited to, originals and copies of all materials containing such information, regardless of the media used to record such information, including but not limited to computers, computer disks, CD ROMS, or other electronic media, microfiche or microfilm.

(h) "Company Information" shall mean: Information that FGI, the Companies or the Partnerships have developed, acquired, organized, compiled or maintained regarding FGI's products, services, processes, methods, operations, proposals, projects, contracts, bids, pricing, costs, profitability, marketing plans and strategies, revenues and finances to the extent not subject to public disclosure requirements, business relationships, correspondence, and other matters related to FGI's development and operation of the Business.

(i) "Customer Information" shall mean: Information that FGI or the Partnerships have developed, acquired, organized, compiled, or maintained by FGI regarding FGI's customers, former customers and prospective customers while developing and operating the Business, including, but not limited to, information relating to their identity, location, personnel, usage of petroleum products, and incidental or related appliances, equipment and supplies, purchasing experience, delivery schedules and routing, payment habits, credit experience, ownership of storage facilities, contract renewal and expiration dates,

pricing, and other terms and conditions contained in their contracts with FGI or its predecessors.

17. Inventions and Patents. Executive agrees that all inventions, innovations, improvements, developments, methods, designs, analyses, drawings, reports, and all similar or related information which relates to the Companies' actual or anticipated business (to the extent the Executive is aware thereof), research and development or existing or future products or services and which are conceived, developed or made by Executive while employed by FGI or any of its affiliates (whether prior to or during the Employment Period) ("Work Product") belong to FGI or such other affiliate, and Executive hereby assigns to FGI his entire right, title and interest in any such Work Product. Executive will promptly disclose such Work Product to the Chief Executive Officer of FGI and perform all actions reasonably requested by the Chief Executive Officer of FGI (whether during or after Executive's Employment Period) to establish and confirm such ownership (including, without limitation, assignments, consents, powers of attorney and other instruments).

18. Noncompete; Nonsolicitation.

(a) Executive acknowledges that in the course of his employment with FGI he will become familiar with Confidential Information and that his services will be of special, unique and extraordinary value to FGI. Therefore, Executive agrees that, during the time he is employed by FGI pursuant hereto and for two (2) years thereafter (the "Noncompete Period"), in the entire ---------- United States and any other countries in which the Companies or Partnerships are providing, or actively planning to provide goods and services, he will not: (i) compete with the Companies or the Partnerships in the sale of propane or related competitive products or services; (ii) directly or indirectly, in person or through others, for the benefit of Executive or another, call upon, solicit, sell, divert, take away, deliver to, accept business or orders from or otherwise engage in propane-related business with FGI's Customers (as defined below), nor shall Executive, in any capacity, assist others to do so; or (iii) directly or indirectly interfere with the business relationship between FGI and any FGI Customers. The restrictions in this paragraph apply only to products and services that are competitive with the Business and/or products and services of FGI.

(b) While employed by FGI and for two (2) years thereafter, Executive will not (i) interfere with, disrupt, or attempt to disrupt relations, contractual or otherwise, between FGI and its employees, vendors or suppliers, or (ii) hire or take away, directly or indirectly, any FGI employee.

(c) "Customers" shall mean: (i) all persons, firms, corporations, and other business enterprises for whom FGI performs or performed services or to whom FGI sells or sold products, appliances, equipment, or supplies during the two year period immediately prior to the termination of Executive's employment; and (ii) all persons, corporations, and other business enterprises actively solicited by FGI or to whom FGI has furnished a quotation or proposal or estimate for the sale of products or services within the one year period immediately prior to the termination of Executive's employment. Customers of FGI shall include, but not be limited to, those for whom either Executive or anyone under Executive's supervision provided products or services and those who may have become customers through the efforts of Executive while employed by FGI.

(d) FGI and Executive agree that: (i) the covenants set forth in Sections 16 and 18 are reasonable in geographical and temporal scope and in all other respects, (ii) FGI would not have entered into this Agreement but for these covenants of Executive contained herein, and (iii) these covenants contained herein have been made in order to induce FGI to enter into this Agreement.

(e) If, at the time of enforcement of this Section 18, 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 or arbitrator shall be allowed to revise the restrictions contained herein to cover the maximum period, scope and area permitted by law.

(f) FGI does not have to enforce all provisions of Sections 16 and 18 of this Agreement at all times to preserve its rights to enforce any other provision of Sections 16 and 18 of this Agreement. Executive also acknowledges FGI does not have to enforce similar agreements with other employees and/or officers to preserve its rights to enforce Sections 16 and 18 of this Agreement with Executive.

(g) Executive shall provide a copy of this Agreement to any new or potential employer which competes against the Companies or the Partnerships.

19. Arbitration.

(a) Except as set forth in Section 19(c), 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 Executive's employment relationship with FGI, or the termination of Executive's employment relationship with FGI, including any Claim against any parent, subsidiary, or affiliated entity of FGI, or any director, officer, general or limited partner, employee or agent of FGI 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 FGI seeking injunctive relief or damages for breach or enforcement of Sections 16 or 18 of the Agreement. This agreement to arbitrate also does not apply to any claims by Executive: (a) for workers' compensation benefits; (b) for unemployment insurance benefits; (c) under a benefit plan where the plan specifies a separate arbitration procedure; (d) filed with an administrative agency which are not legally subject to arbitration under this Agreement; or (e) 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 Liberty or Kansas City, Missouri 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 Executive and FGI, 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 Executive. 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.

(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.

20. FGI's Right to Injunctive Relief, Tolling. In the event of a breach or threatened breach of any of the Executive's duties and obligations under the terms and provisions of Sections 16, 17 or 18 hereof, FGI shall be entitled, in addition to any other legal or equitable remedies it may have in connection therewith (including any right to damages that it may suffer), to temporary, preliminary, and permanent injunctive relief restraining such breach or threatened breach. The Executive hereby expressly acknowledges that the harm which might result to the Business as a result of any noncompliance by the Executive with any of the provisions of sections 16, 17 or 18 hereof would be largely irreparable.

21. Judicial Enforcement. If any provision of this Agreement is adjudicated to be invalid or unenforceable under applicable law in any jurisdiction, the validity or enforceability of the remaining provisions thereof shall be unaffected as to such jurisdiction and such adjudication shall not affect the validity or enforceability of such provisions in any other jurisdiction. To the extent that any provision of this Agreement is adjudicated to be invalid or unenforceable because it is overbroad, that provision shall not be void but rather shall be limited only to the extent required by applicable law and enforced as so limited. The parties expressly acknowledge and agree that this Section is reasonable in view of the parties' respective interests.

22. Executive Warranties and Representations. The Executive warrants and represents that the execution and delivery of the Agreement and the Executive's employment with FGI do not violate any previous employment agreement or other contractual obligation of the Executive.

23. Survival. The provisions of this Agreement, except as otherwise provided herein, shall continue in full force in accordance with their terms notwithstanding any termination of Executive's employment by FGI.

24. Right to Recover Costs and Fees. The Executive and FGI undertake and agree that if either the Executive or FGI breach or threaten to breach Sections 16 or 18 of this Agreement (the "Breaching Party"), the Breaching Party shall be liable for any attorneys' fees and costs incurred by the non-Breaching Party in enforcing the non-Breaching Party's rights hereunder.

25. Executive Right. If the Executive believes that any benefit on account of the termination of the Executive's service with FGI under this Agreement has not been paid by FGI within fifteen (15) days after the date on which that benefit should have been paid to the Executive under the terms of this Agreement, the Executive may give notice to FGI of that failure and the amount of the benefit that should have been paid. FGI shall pay the Executive the amount specified in that notice within thirty (30) days after its receipt of the notice; provided, however, that the payment shall not preclude FGI from disputing that payment in accordance with the arbitration provisions of this Agreement.

26. Entire Agreement, Amendments and Modifications. This Agreement constitutes the entire agreement and understanding of the parties regarding the employment of Executive by FGI and supersedes all prior agreements and understandings between the Executive and FGI to the extent that any such agreements or understandings conflict with the terms of this Agreement. The parties specifically agree that the Option Grantee Agreement entered into between Executive and Ferrellgas is hereby terminated. No modification, amendment or waiver of any of the provisions of this Agreement shall be effective unless in writing specifically referring hereto, and signed by the parties hereto.

27. Assignments. This Agreement shall be freely assignable by FGI to, and shall inure to the benefit of and be binding upon, its successors and assigns and/or any other entity which shall succeed to the business presently being conducted by FGI or the Partnerships. In that regard, FGI shall assign and shall require any successor, whether in a Change of Control transaction or not, of either of the Companies or any of the Partnerships to expressly assume in writing FGI's obligations under this Agreement simultaneously with the consummation of an applicable transaction, which assumption shall not relieve FGI of any of its obligations hereunder. Being a contract for personal services, neither this Agreement nor any rights hereunder shall be assigned by the Executive; provided, however that the rights and benefits hereunder shall inure to and be enforceable by the Executive's estate, heirs, executors, administrators or legal guardians or representatives.

28. Choice of Forum; Governing Law. In light of FGI's substantial contacts with the State of Missouri, the parties' interests in ensuring that disputes regarding the interpretation, validity, and enforceability of this Agreement are resolved on a uniform basis, and FGI's execution of, and the making of, this Agreement in Missouri, the parties agree that: (i) any litigation involving this Agreement shall be filed and conducted in the state or federal courts in the State of Missouri; and (ii) the Agreement shall be interpreted in accordance with and governed by the laws of the State of Missouri, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of Missouri or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Missouri.

29. Headings and Interpretation. Section headings are provided in this Agreement for convenience only and shall not be deemed to substantively alter the content of such sections. Whenever the words "include", "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation". References to the singular or plural tense of a word shall also include the plural or singular as the context may require.

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 of this

Agreement, 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 or schedule hereto.

31. Notices. Any notice, request, consent or communication (collectively, a "Notice") under this Agreement shall be effective only if it is in writing and (i) personally delivered with written receipt thereof, (ii) sent by certified or registered mail, return receipt requested, postage prepaid or (iii) sent by a nationally recognized overnight delivery service, with delivery confirmed, addressed as follows (or at such other address for a party as shall be specified by like notice):

(a) If to the Executive, to: Kevin T. Kelly
[Address]

(b) with a copy to: Bryan Cave LLP
One Kansas City Place
1200 Main Street
Kansas City, Missouri 64105
Attn: Beth Romans Bower

(c) If to FGI, to: Ferrellgas, Inc.
One Liberty Plaza
Liberty, Missouri 64068
Attention: Mr. Danley K. Sheldon

A Notice shall be deemed to have been given as of the date when (i) personally delivered as indicated by date of receipt, (ii) five (5) days after the date when deposited with the United States certified mail, return receipt requested, properly addressed, or (iii) when receipt of a Notice sent by an overnight delivery service is confirmed by such overnight delivery service, as the case may be, unless the sending party has actual knowledge that a Notice was not received by the intended recipient.

32. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and together shall constitute one and the same Agreement.

(The remainder of this page has been left blank intentionally.)

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the day and year first above written.

FERRELLGAS, INC. EXECUTIVE

By:_____
Name:_____ Kevin T. Kelly
Title:_____

PLEASE NOTE: BY SIGNING THIS AGREEMENT, EXECUTIVE IS HEREBY CERTIFYING THAT EXECUTIVE (A) HAS RECEIVED A COPY OF THIS AGREEMENT FOR REVIEW AND STUDY BEFORE EXECUTING IT; (B) HAS READ THIS AGREEMENT CAREFULLY BEFORE SIGNING IT; (C) UNDERSTANDS THAT THIS AGREEMENT CONTAINS A BINDING ARBITRATION PROVISION; (D) HAS HAD SUFFICIENT OPPORTUNITY BEFORE SIGNING THE AGREEMENT TO ASK ANY QUESTIONS EXECUTIVE HAS ABOUT THE AGREEMENT AND HAS RECEIVED SATISFACTORY ANSWERS TO ALL SUCH QUESTIONS; AND (E) UNDERSTANDS EXECUTIVE'S RIGHTS AND OBLIGATIONS UNDER THE AGREEMENT.

SUBSIDIARIES OF
FERRELLGAS PARTNERS, L.P.

Ferrellgas, L.P., a Delaware limited partnership
Ferrellgas Partners Finance Corp., a Delaware Corporation

SUBSIDIARIES OF
FERRELLGAS, L.P.

bluebuzz.com, Inc., a Delaware Corporation
Ferrellgas Receivables, LLC, a Delaware limited liability company

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Post-Effective Amendment No. 1 to Registration Statement No. 33-55185 of Ferrellgas Partners, L.P. on Form S-4 to Form S-1, in Amendment No. 1 to Registration Statement No. 333-71111 of Ferrellgas Partners, L.P. and Ferrellgas Partners Finance Corp. on Form S-3, and in Registration Statement No. 333-87633 of Ferrellgas Partners, L.P. on Form S-8 of our reports dated September 14, 2000, appearing in the Annual Report on Form 10-K of Ferrellgas Partners, L.P. and Ferrellgas Partners Finance Corp. for the year ended July 31, 2000.

/s/ DELOITTE & TOUCHE LLP
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DELOITTE & TOUCHE LLP
Kansas City, Missouri
October 23, 2000