

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

Amendment No. 4 to

Form S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

INERGY, L.P.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation or
organization)

5984
(Primary Standard Industrial
Classification Code Number)

43-1918951
(I.R.S. Employer
Identification No.)

1101 Walnut, Suite 1500
Kansas City, Missouri 64106
(816) 842-8181
(Address, including zip code, and telephone number, including area code, of
registrant's principal executive offices)

John J. Sherman
1101 Walnut, Suite 1500
Kansas City, Missouri 64106
(816) 842-8181
(Name, address, including zip code, and telephone number, including area code,
of agent for service)

Copies to:

David P. Oelman
Catherine S. Gallagher
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1001 Fannin, Suite 2300
Houston, Texas 77002-6760
(713) 758-2222

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Stinson, Mag & Fizzell, P.C.
1201 Walnut, Suite 2800
Kansas City, Missouri 64106
(816) 842-8600

Joshua Davidson
Baker Botts L.L.P.
One Shell Plaza
910 Louisiana
Houston, Texas 77002
(713) 229-1234

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as
practicable after the effective date of this Registration Statement.

If the only securities being registered on this Form are being offered
pursuant to dividend or interest reinvestment plans, please check the following
box.

If any of the securities registered on this Form are being offered on a
delayed or continuous basis pursuant to Rule 415 under the Securities Act of
1933, other than securities offered only in connection with dividend or
interest reinvestment plans, check the following box.

If this Form is filed to register additional securities for an offering
pursuant to Rule 462(b) under the Securities Act of 1933, check the following
box and list the Securities Act of 1933 registration statement number of the
earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c)
under the Securities Act of 1933, check the following box and list the
Securities Act of 1933 registration statement number of the earlier effective
registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d)
under the Securities Act of 1933, check the following box and list the
Securities Act of 1933 registration statement number of the earlier effective

registration statement for the same offering.

If delivery of the prospectus is expected to be made pursuant to Rule 434,
please check the following box.

The registrant hereby amends this registration statement on such date or
dates as may be necessary to delay its effective date until the registrant
shall file a further amendment which specifically states that this registration
statement shall thereafter become effective in accordance with Section 8(a) of
the Securities Act of 1933 or until the registration statement shall become
effective on such date as the Securities and Exchange Commission, acting
pursuant to said Section 8(a), may determine.

EXPLANATORY NOTE

Inergy, L.P. has prepared this Amendment No. 4 to its Registration Statement on Form S-1 for the purpose of filing with the Securities and Exchange Commission exhibits to the Registration Statement. This Amendment No. 4 does not modify any provision of the prospectus included in the Registration Statement; accordingly, such prospectus has not been included herein.

PART II

INFORMATION REQUIRED IN THE REGISTRATION STATEMENT

Item 13. Other Expenses Of Issuance And Distribution

Set forth below are the expenses (other than underwriting discounts and commissions) expected to be incurred in connection with the issuance and distribution of the securities registered hereby. With the exception of the Securities and Exchange Commission registration fee and the NASD filing fee, the amounts set forth below are estimates.

Registration fee.....	\$ 10,350
NASD filing fee.....	4,641
Nasdaq Stock Market Listing Fee.....	38,750
Printing and engraving expenses.....	400,000
Fees and expenses of legal counsel.....	1,000,000
Accounting fees and expenses.....	500,000
Other professional services.....	250,000
Transfer agent and registrar fees.....	3,500
Miscellaneous.....	392,759

Total.....	\$2,600,000
	=====

Item 14. Indemnification Of Directors And Officers.

The section of the Prospectus entitled "The Partnership Agreement-- Indemnification" is incorporated herein by this reference. Reference is made to Section of the Underwriting Agreement filed as Exhibit 1.1 to the Registration Statement. Subject to any terms, conditions or restrictions set forth in the Partnership Agreement, Section 17-108 of the Delaware Revised Uniform Limited Partnership Act empowers a Delaware limited partnership to indemnify and hold harmless any partner or other person from and against all claims and demands whatsoever.

Item 16. Exhibits.

(a) The following documents are filed as exhibits to this registration statement:

Exhibit Number -----	Description -----
*1.1	--Form of Underwriting Agreement
*3.1	--Certificate of Limited Partnership of Inergy, L.P.
*3.2	--Form of Amended and Restated Agreement of Limited Partnership of Inergy, L.P. (included as Appendix A to the Prospectus)
*3.3	--Certificate of Formation as relating to Inergy Propane, LLC, as amended
*3.4	--Second Amended and Restated Limited Liability Company Agreement of Inergy Propane, LLC

Exhibit Number -----	Description -----
*3.6	--Limited Liability Company Agreement of Inergy GP, LLC
*3.7	--Certificate of Formation as relating to Inergy Partners, LLC, as amended
*3.8	--Amended and Restated Limited Liability Company Agreement of Inergy Partners, LLC, as amended
*4.1	--Specimen Unit Certificate for Senior Subordinated Units
*4.2	--Specimen Unit Certificate for Junior Subordinated Units
*4.3	--Specimen Unit Certificate for Common Units
*5.1	--Opinion of Vinson & Elkins L.L.P. as to the legality of the securities being registered
*8.1	--Opinion of Vinson & Elkins L.L.P. relating to tax matters
**10.1	--Form of Third Amended and Restated Credit Agreement by and among Inergy Propane, LLC and the lenders named therein
*10.2	--Asset Purchase Agreement by and between Inergy Partners, LLC and Country Gas Company, Inc., dated as of May 20, 2000
*10.3	--Securities Purchase Agreement by and among Inergy Partners, LLC and various investors, dated as of January 12, 2001
*10.4	--Investor Rights Agreement by and among Inergy Partners, LLC and various investors, dated as of January 12, 2001
*10.5	--Asset Purchase Agreement by and among Inergy Partners, LLC and the Hoosier Group, dated as of September 8, 2000
*10.6	--Inergy Employee Long-Term Incentive Plan
*10.7	--Inergy Unit Purchase Plan
*10.8	--Employment Agreement--John J. Sherman
*10.9	--Employment Agreement--Phillip L. Elbert
**10.9a	--First Amendment to Employment Agreement--Phillip L. Elbert
*10.10	--Employment Agreement--R. Brooks Sherman Jr.
**10.10a	--First Amendment to Employment Agreement--R. Brooks Sherman Jr.
**10.11	--Employment Agreement--Carl A. Hughes
**10.12	--Employment Agreement--Michael D. Fox
**10.13	--Employment Agreement--William C. Gautreaux

*10.14 --Form of Contribution, conveyance, Assignment and Assumption Agreement by and among Inergy, L.P., Inergy Partners, LLC and the other parties named therein, dated as of , 2001

*21.1 --List of subsidiaries

*23.1 --Consent of Ernst & Young LLP.

*23.2 --Consent of Batchelor, Tillery & Roberts, LLP

*23.3 --Consent of Vinson & Elkins L.L.P. (contained in Exhibit 5.1)

*23.4 --Consent of Vinson & Elkins L.L.P. (contained in Exhibit 8.1)

*24.1 --Powers of Attorney (included on the signature page to the initial filing)

- -----

*Previously filed.

**Filed herewith.

Item 17. Undertakings.

The undersigned Registrant hereby undertakes to provide at the closing specified in the underwriting agreement certificates in such denominations and registered in such names as required by the Underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned Registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this Registration Statement as of the time it was declared effective.

(2) For the purposes of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant has duly caused this Amendment No. 4 to Registration Statement (No. 333-56976) to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Kansas City, State of Missouri, on July 20, 2001.

Inergy, L.P.

By: Inergy GP, LLC
its Managing General Partner

/s/ R. Brooks Sherman Jr.

By: _____
Name: R. Brooks Sherman Jr.
Title: Vice President and Chief
Financial Officer

Pursuant to the requirements of the Securities Act of 1933, as amended, this Amendment No. 4 to Registration Statement (No. 333-56976) has been signed below by the officers and directors of Inergy GP, LLC, as managing general partner of Inergy, L.P., the registrant, in the capacities indicated on July 20, 2001.

Signature

Title

*

John J. Sherman

President and Chief Executive Officer
and Chairman of the Board (principal
executive officer)

*

Phillip L. Elbert

Senior Vice President--Operations and
Director

/s/ R. Brooks Sherman Jr.

R. Brooks Sherman Jr.

Chief Financial Officer (principal
accounting and financial officer)

*

Richard C. Green, Jr.

Director

*

Warren H. Gfeller

Director

*

David J. Schulte

Director

/s/ R. Brooks Sherman Jr.

*By: _____
Attorney-in-fact

THIRD AMENDED AND RESTATED

CREDIT AGREEMENT

Dated as of July 26, 2001

by and among

INERGY PROPANE, LLC

as Borrower,

the Lenders referred to herein,

FIRST UNION NATIONAL BANK,

as Administrative Agent

BANK OF OKLAHOMA, N.A.,

as Syndication Agent,

and

FIRSTAR BANK, N.A. OVERLAND PARK,

as Syndication Agent

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EXHIBITS

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Exhibit A-2	- Form of Working Capital Note
Exhibit A-3	- Form of Swingline Note
Exhibit B	- Form of Notice of Borrowing
Exhibit C	- Form of Notice of Account Designation
Exhibit D	- Form of Notice of Conversion/Continuation
Exhibit E	- Form of Officer's Compliance Certificate
Exhibit F	- Form of Borrowing Base Certificate
Exhibit G	- Form of Applicable Margin Calculation Certificate
Exhibit H	- Form of Assignment and Acceptance
Exhibit I-1	- Form of Subsidiary Guaranty Agreement
Exhibit I-2	- Form of Inergy, L.P. Guaranty Agreement
Exhibit J	- Form of Security Agreement
Exhibit K	- Form of Pledge Agreement
Exhibit L	- Form of Opinion of Credit Parties' Counsel
Exhibit M	- Form of Intercreditor Agreement

SCHEDULES

Schedule 1.01A	- Commitments of Lenders
Schedule 1.01B	- Notice and Lending Offices of Lenders
Schedule 3.01	- Existing Letters of Credit
Schedule 6.01(a)	- Organization
Schedule 6.01(b)	- Ownership
Schedule 6.01(s)	- Title to Properties
Schedule 8.10	- Location of Collateral
Schedule 10.02	- Outstanding Debt

This THIRD AMENDED AND RESTATED CREDIT AGREEMENT (as the same may be amended, supplemented or otherwise modified from time to time in accordance with its terms, this "Agreement"), dated as of the 26th day of July, 2001, by and among the following:

- (i) INERGY PROPANE, LLC, a Delaware limited liability company (formerly known as McCracken Oil & Propane Company, LLC) (the "Borrower");
- (ii) The Lenders who are or may become a party hereto, in their capacity as Lenders and in such other capacities as reflected on the signature pages hereto (collectively, the "Lenders"; and each a "Lender"); and
- (iii) FIRST UNION NATIONAL BANK, as Administrative Agent

is an amendment and restatement of the Existing Credit Agreement (as defined below).

STATEMENT OF PURPOSE

The Borrower, certain Affiliates (as defined below) of the Borrower and certain Lenders previously entered into an Amended and Restated Credit Agreement dated as of October 23, 1998 (the "1998 Credit Agreement"), as amended by (i) a First Amendment to Amended and Restated Credit Agreement dated as of December 10, 1998, (ii) a Second Amendment to Amended and Restated Credit Agreement dated as of February 10, 1999, (iii) a Third Amendment to Amended and Restated Credit Agreement dated as of July 22, 1999, (iv) a Fourth Amendment to Amended and Restated Credit Agreement dated as of November 15, 1999, and (v) a Fifth Amendment to Amended and Restated Credit Agreement dated as of May 30, 2000 (the "1998 Credit Agreement", as so amended is hereby referred to as the "Original Credit Agreement").

The Borrower, certain Affiliates of the Borrower party to the Original Credit Agreement, and the Lenders party to the Existing Credit Agreement subsequently amended and restated the Original Credit Agreement in its entirety pursuant to a Second Amended and Restated Credit Agreement dated as of January 12, 2001 (as amended to date, the "Existing Credit Agreement").

Pursuant to the terms and conditions of a certain Consent Agreement dated as of the date hereof (the "Consent Agreement"), the Administrative Agent, on behalf of itself and the Lenders, agreed that (i) Inergy Partners, LLC, a Delaware limited liability company ("Inergy Partners"), (ii) Wilson Oil Company of Johnston County, Inc., a North Carolina corporation ("Wilson Oil"), and (iii) Rolesville Gas and Oil Company, Inc., a North Carolina corporation ("Rolesville"), are no longer required to be parties to the Existing Credit Agreement.

The Borrower and certain Lenders party to the Existing Credit Agreement desire to amend and restate the Existing Credit Agreement in its entirety on the terms and conditions set forth in this Agreement, as of the Effective Date.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties hereto, such parties hereby agree that the Existing Credit Agreement is hereby amended and restated, as of the Effective Date, as follows:

ARTICLE I

DEFINITIONS

SECTION 1.01. Definitions.

The following terms when used in this Agreement shall have the meanings assigned to them below:

"Account Debtor" means any Person who is or may become obligated in respect of an Account.

"Accounts" means all accounts (as defined in the UCC), contract rights, chattel paper, instruments and documents, in which the Borrower or any Controlled Subsidiary has or acquires an interest on or after the Closing Date.

"Acquisition Commitment" means, (a) as to any Lender, the obligation of such Lender to make Acquisition Loans to the Borrower hereunder in an aggregate principal amount at any time outstanding not to exceed the amount so designated opposite such Lender's name on Schedule 1.01A hereto, as the same may be reduced

or modified at any time or from time to time pursuant to the terms hereof, and (b) as to all Lenders, the aggregate commitment of all Lenders to make Acquisition Loans, as such amount may be reduced at any time from time to time pursuant to the terms hereof. The Acquisition Commitment of all Lenders on the Closing Date shall be Seventy Million Dollars (\$70,000,000).

"Acquisition Facility" means the loan facility established pursuant to Section 2.03.

"Acquisition Loan" means any of the loans made by the Lenders to the Borrower pursuant to Section 2.03 and all such loans collectively as the context requires.

"Acquisition Notes" means the separate Acquisition Notes made by the Borrower, payable to the order of each Lender, substantially in the form of Exhibit A-1 hereto, evidencing the Acquisition Facility, and any amendments and

modifications thereto, any substitutes therefor, and any replacements, restatements, renewals or extension thereof, in whole or in part; "Acquisition Note" means any of such Acquisition Notes.

"Administrative Agent" means First Union National Bank, in its capacity as Administrative Agent hereunder, and any successor thereto appointed pursuant to Section 12.09.

"Administrative Agent's Office" means the office of the Administrative Agent specified in or determined in accordance with the provisions of Section

13.01(c).

"Affiliate" means with respect to any Person, any other Person (i) which owns or otherwise has an interest in five percent or more of any equity interest of such Person, (ii) five

percent or more of the equity interests of which such Person (or any member, shareholder, director, officer, employee or Subsidiary of such Person or any combination thereof) owns or otherwise has an interest in, or (iii) which, directly or through one or more intermediaries, is controlled by, controls, or is under common control with such Person. For purposes of subpart (iii) above, "control" means the ability, directly or indirectly, to affect the management or policies of a Person by virtue of an ownership interest, by right of contract or any other means.

"Aggregate Commitment" means the sum of the Working Capital Commitment and the Acquisition Commitment, as such amount may be reduced or modified at any time or from time to time pursuant to the terms hereof. On the Closing Date, the Aggregate Commitment shall be One Hundred Million Dollars (\$100,000,000).

"Agreement" has the meaning set forth in the recitals above.

"Applicable Law" means all applicable provisions of constitutions, statutes, laws, ordinances, rules, treaties, regulations, permits, licenses, approvals, interpretations and orders of all Governmental Authorities and all orders and decrees of all courts and arbitrators.

"Applicable Margin" means, at any date, (i) with respect to Base Rate Loans, 0.00% per annum, (ii) with respect to Libor Loans, 2.125% per annum, and

(iii) with respect to the Unused Line Fee, 0.375% per annum; provided, however,

that if the Consolidated Leverage Ratio as of the last day of the immediately preceding fiscal quarter falls within any of the ranges set forth in the Schedule below, then, subject to the delivery to the Administrative Agent by the Borrower of an Applicable Margin Calculation Certificate demonstrating such fact, the Applicable Margin for each type of Loan and the Unused Line Fee, as the case may be, shall be reduced or increased, if such is the case, to the rate for the same set forth in the Schedule below. Any such adjustment in the Applicable Margin shall take effect on the third (3rd) Business Day after the Administrative Agent receives the Applicable Margin Calculation Certificate and shall remain in effect until the earlier to occur of (a) the next adjustment of the Applicable Margin made in accordance with the terms of this Agreement, or (b) the expiration of three months after the date such adjustment in the Applicable Margin takes effect. Notwithstanding anything herein to the contrary, no downward adjustment in the Applicable Margin shall take effect or remain in effect if (1) the Administrative Agent, acting in a commercially reasonable manner, disputes the accuracy of the calculations set forth in the Applicable Margin Calculation Certificate (or the accuracy or completeness of the information contained in the financial statements supporting such calculations), or (2) any Event of Default exists. The Schedule referred to above is as follows:

Level	Consolidated Leverage Ratio	Base Rate Loans	Libor Rate Loans	Unused Line Fee
I.	Less than or equal to 3.0:1.0	0.00%	2.00%	0.375%
II.	Greater than 3.0:1.0 and less than or equal to 3.5:1.0	0.00%	2.125%	0.375%
III.	Greater than 3.5:1.0 and less than or equal to 4.0:1.0	0.25%	2.25%	0.500%
IV.	Greater than 4.0:1.0 and less than or equal to 4.5:1.0	0.50%	2.50%	0.500%
V.	Greater than 4.5:1.0	0.50%	2.75%	0.500%

"Applicable Margin Calculation Certificate" means, at any time, the certificate, substantially in the form of Exhibit G hereto, signed by a

Financial Officer of the Borrower and pursuant to which the Borrower sets forth its calculations for purposes of determining the Applicable Margin for a particular time period.

"Application" means an application, in the form specified by the Issuing Lender from time to time, requesting the Issuing Lender to issue a Letter of Credit.

"Assignment and Acceptance" has the meaning assigned thereto in Section 13.10(b)(iii).

"Available Cash" has the meaning _____

"Average Quarterly Loan Balance" means the sum of (i) the aggregate principal amount of all Working Capital Loans outstanding, (ii) the aggregate principal amount of all Acquisition Loans outstanding, (iii) the aggregate principal amount of all Swingline Loans outstanding and (iv) the aggregate L/C Obligations outstanding, in each case outstanding at the end of each day for each day of the quarter in question and by dividing such sum by the number of days in such quarter.

"Base Rate" means, at any time, the higher of (a) the Prime Rate or (b) the Federal Funds Rate plus 0.5%; each change in the Base Rate shall take effect

simultaneously with the corresponding change or changes in the Prime Rate or the Federal Funds Rate.

"Base Rate Loan" means any Loan bearing interest at a rate based upon the Base Rate as provided in Section 4.06(a).

"Benefited Lender" has the meaning assigned thereto in Section 4.11.

"Borrower" has the meanings set forth in the recitals to this Agreement.

"Borrower Pledge Agreement" means the Amended and Restated Pledge Agreement from the Borrower, as pledgor, to the Administrative Agent, as pledgee, dated the Closing Date, pursuant to which the Borrower grants to the Administrative Agent a Lien as security for the Obligations in all of the Borrower's existing and future equity and other interests in L & L Transportation, Inergy Transportation and Inergy Sales, together with any amendments, renewals, restatements, replacements, consolidations or other modifications thereof from time to time.

"Borrower Security Agreement" means the Amended and Restated Security Agreement from the Borrower, as debtor, to the Administrative Agent, as secured party, dated the Closing Date, pursuant to which the Administrative Agent, is granted a Lien as security for the Obligations on all of the Borrower's existing and future assets, together with any amendments, renewals, restatements, replacements, consolidations or other modifications thereof from time to time.

"Borrowing Base" means, at any date, an amount equal to the lesser of:

- (i) the sum of (a) \$10,000,000, plus (b) an amount equal to the

Eligible Account Advance Amount at such date, plus (c) Eligible

Inventory Advance Amount at such date, minus [subtract from the

sum of (a), (b) and (c)] the sum, at such date, of all amounts for which the Issuing Lender may be liable pursuant to any letter of credit issued by the Issuing Lender for the Borrower's or any Controlled Subsidiary's account; or
- (ii) \$30,000,000.

"Business Day" means (a) for all purposes other than as set forth in clause (b) below, any day other than a Saturday, Sunday or legal holiday on which banks in Charlotte, North Carolina are open for the conduct of their commercial banking business, and (b) with respect to all notices and determinations in connection with, and payments of principal and interest on, any LIBOR Rate Loan, any day that is a Business Day described in clause (a) and that is also a day for trading by and between banks in Dollar deposits in the London interbank market.

"Capital Expenditures" means expenditures made and liabilities incurred that should, in accordance with GAAP, be classified and accounted for as capital expenditures.

"Capital Lease" means any lease of any property that should, in accordance with GAAP, be classified and accounted for as a capital lease.

"Capital Stock" means, with respect to any Person, any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however

designated) equity of such Person, including any preferred interest, any limited or general partnership interest and any limited liability company membership interest.

"Cleansing Period" means the period commencing March 1 and ending September 30 during each Fiscal Year.

"Closing Date" means the date of this Agreement or such later Business Day as the parties hereto shall mutually agree.

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

"Collateral" means all personal and real property with respect to which a Lien is granted to or for the benefit of the Administrative Agent for the benefit of the Lenders pursuant to the Security Agreements, the Mortgages, the Pledge Agreements or any other Credit Documents or which otherwise secures the payment or performance of any Obligation.

"Collateral Agent" has the meaning set forth in the Intercreditor Agreement.

"Commitment" means, as to any Lender, on a collective basis, such Lender's Acquisition Commitment and Working Capital Commitment, as set forth opposite such Lender's name on Schedule 1.01A hereto, as the same may be reduced or modified at any time or from time to time pursuant to the terms hereof.

"Commitment Percentage" means, as to any Lender at any time, the ratio of (a) for Working Capital Loans, L/C Obligations and Swingline Loans, (i) the amount of the Working Capital Commitment of such Lender to (ii) the Working Capital Commitment of all of the Lenders; and (b) for Acquisition Loans, (i) the amount of the Acquisition Commitment of such Lender to (ii) the Acquisition Commitment of all of the Lenders.

"Consent Agreement" has the meaning set forth in the recitals to this Agreement.

"Consolidated" means the consolidation of accounts in accordance with GAAP.

"Consolidated EBITDA" means, with respect to the Borrower and its Consolidated Subsidiaries, for any period, an amount equal to: (i) net income for such period, plus (ii) amounts deducted in the computation thereof for (a) interest expense, (b) federal, state and local income taxes, and (c) depreciation and amortization, plus or minus, as the case may be, (iii) gains or losses from the sale of assets in the ordinary course of business, and plus or minus, as the case may be, (iv) extraordinary non-cash gains or losses for such period; provided, that for the purposes of determining Consolidated Adjusted EBITDA for any period during which a Permitted Acquisition is consummated, Consolidated Adjusted EBITDA shall be adjusted in a manner reasonably satisfactory to the Administrative Agent to give effect to the consummation of such Permitted Acquisition on a pro forma basis, as if such Permitted Acquisition occurred on the first day of such period. For the period of October 1, 2000 up to, but not including, the Closing Date, Consolidated EBITDA shall be calculated with respect to Inergy Partners and its Consolidated Subsidiaries, rather than with respect to the Borrower and its Consolidated Subsidiaries.

"Consolidated Interest Expense" means, with respect to the Borrower and its Consolidated Subsidiaries, for any period, an amount equal to (i) all interest in respect of Debt (other than the Hoosier Subordinated Debt) accrued during such period (whether or not actually paid during such period), plus (ii) the net amount payable (or minus the net amount receivable) under Hedging Agreements

accrued during such period (whether or not actually paid or received during such period) plus on a pro-forma basis, the sum of all interest accrued relating to

Debt incurred in connection with a Permitted Acquisition, excluding in each case up front financing fees payable in connection with the consummation of the transactions contemplated hereby. For the period of October 1, 2000 up to, but not including, the Closing Date, Consolidated Interest Expense shall be calculated with respect to Inergy Partners and its Consolidated Subsidiaries, rather than with respect to the Borrower and its Consolidated Subsidiaries.

"Consolidated Leverage Ratio" means the ratio of (i) Total Funded Debt (other than Debt under clause (i) of the definition of "Debt"), at such time, to (ii) Consolidated EBITDA for the four fiscal quarters most recently ended. For purposes of calculating the Consolidated Leverage Ratio, Total Funded Debt shall not include any outstanding Working Capital Loans or Swingline Loans if the Borrower is in compliance with Section 4.02(b).

"Consolidated Subsidiary" shall mean for any Person, each Subsidiary of such Person (whether existing on the Closing Date or thereafter created or acquired) the financial statements of which shall be (or should have been) consolidated with the financial statements of such Person in accordance with GAAP.

"Controlled Subsidiary" means a direct or indirect Subsidiary of the Borrower and with respect to which the Borrower owns not less than fifty-one percent (51%) of the voting equity interests of such Subsidiary.

"Credit Documents" means, collectively, this Agreement, the Notes, the Applications, the Security Agreements, the Pledge Agreements, the Mortgages, the Guaranty Agreements, and any other agreements or documents existing on or after the Closing Date evidencing, securing or otherwise relating to any of the transactions described in or contemplated by this Agreement, and any amendments, renewals, restatements, replacements or other modifications of the foregoing from time to time.

"Credit Facilities" means the collective reference to the Working Capital Facility, the Acquisition Facility and the L/C Facility.

"Credit Parties" means, collectively, Inergy, L.P., the Borrower, Inergy Transportation, L & L Transportation, Inergy Sales and any other direct and indirect Subsidiary of the Borrower.

"Debt" means, with respect to any Person, without duplication (a) all obligations of such Person for borrowed money or with respect to deposits or advances of any kind (including repurchase obligations, but not including customer deposits), (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments or letters of credit in support of bonds, notes, debentures or similar instruments, (c) all obligations of such Person upon which interest charges are customarily paid, (d) all obligations of such Person under any conditional sale or other title retention agreement relating to property purchased by such Person, (e) all

obligations of such Person issued or assumed as the deferred purchase price of property or services (including, without duplication, obligations under a non-compete or similar agreement) to the extent such obligations are reportable under GAAP, (f) all obligations of such Person as lessee under Capital Leases of such Person or leases of such Person for which such Person retains tax ownership of the property subject to a lease, (g) all obligations of others secured by (or for which the holder of such Debt has an existing right, contingent or otherwise, to be secured by) any Lien on property or assets owned or acquired by such Person, whether or not the obligations secured thereby have been assumed, (h) all Guaranties of such Person, (i) all obligations of such Person with respect to interest rate protection agreements (including, without limitation, Hedging Agreements) or foreign currency exchange agreements (valued at the termination value thereof computed in accordance with a method approved by the International Swap Dealers Association and agreed to by such Person in the applicable Hedging Agreement, if any), (j) all obligations of such Person as an account party in respect of letters of credit (1) securing Debt (other than letters of credit obtained in the ordinary course of business and consistent with past practices) or (2) obtained for any purpose not in the ordinary course of business or not consistent with past practices, (k) all obligations of such Person in respect of bankers' acceptances and (l) all current liabilities in respect of unfunded vested benefits under a Pension Plan covered by ERISA; provided that accrued expenses and accounts payable incurred in the ordinary
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course of business shall not constitute Debt.

"Default" means any of the events specified in Section 11.01, which with
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the passage of time, the giving of notice or any other condition, would constitute an Event of Default.

"Dollars" or "\$" means, unless otherwise qualified, dollars in lawful currency of the United States.

"Effective Date" means the date of satisfaction of all conditions precedent to the initial Extension of Credit specified in Section 5.02.
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"Eligible Account" means an Account arising in the ordinary course of the Borrower's or a Controlled Subsidiary's business from the sale of goods or the rendering of services which the Administrative Agent, in its reasonable credit judgment, deems to be an Eligible Account. To be an Eligible Account, such Account must be subject to the Administrative Agent's perfected first priority Lien and no Lien other than a Permitted Lien, and must be evidenced by an invoice or other documentary evidence reasonably satisfactory to the Administrative Agent. Without limiting the generality of the foregoing, no Account shall be an Eligible Account if:

(1) the Account remains unpaid more than ninety (90) days after the original invoice date (except if the Account Debtor is engaged primarily in the business of agriculture, in which case the Account remains unpaid after November 15 of the calendar year in which the Account arose or ninety (90) days after the invoice date, whichever is later); or

(2) ten percent (10%) or more of the other Accounts from the Account Debtor are not Eligible Accounts; or

(3) the Account Debtor has disputed liability with respect to such Account, or has made any claim with respect to any other Account due from such Account Debtor to the Borrower or the applicable Controlled Subsidiary, or the Account otherwise is or may become subject to any right of setoff by the Account Debtor, to the extent of any offset, dispute or claim; or

(4) If the Account Debtor is also a creditor or supplier of the Borrower, Eligible Accounts shall consist of the lesser of (a) if the aggregate liabilities of the Borrower and its Controlled Subsidiaries to such Account Debtor do not exceed \$2,000,000, the face amount of the Accounts of such Account Debtor; and (b) if such liabilities of the Borrower and its Controlled Subsidiaries to such Account Debtor exceed \$2,000,000, the face amount of the Accounts of such Account Debtor minus

the aggregate liabilities of the Borrower and its Controlled Subsidiaries to such Account Debtor in excess of \$2,000,000; provided, however, the

aggregate amount of Eligible Accounts under this clause (4) shall not exceed the aggregate Accounts of all Account Debtors who are also a creditor or a supplier of the Borrower and its Controlled Subsidiaries minus the aggregate liabilities of the Borrower and its Controlled

Subsidiaries to such Account Debtors in excess of \$8,000,000; or

(5) any bankruptcy or other insolvency proceeding has been filed by or against the Account Debtor; or

(6) the Account arises from a sale to an Account Debtor outside the United States, unless the sale is on letter of credit, guaranty or acceptance terms, in each case reasonably acceptable to the Administrative Agent; or

(7) the Account arises from a sale to an Account Debtor which is not final, including, without limitation, on a bill-and-hold, guaranteed sale, sale-or-return, sale-on-approval, consignment or any other repurchase or return; or

(8) the Administrative Agent believes, in its reasonable credit judgment, that collection of such Account is insecure or that payment thereof is doubtful or will be delayed by reason of the Account Debtor's financial condition; or

(9) the Account Debtor is the United States of America or any state, or any department, agency, instrumentality or subdivision of the foregoing, unless the applicable Borrower assigns its right to payment of such Account to the Administrative Agent, in form and substance reasonably satisfactory to the Administrative Agent, so as to comply with the Assignment of Claims Act, as amended (31 U.S.C. (S) 3727 et seq.), or the comparable state statute, as the case may be; or

(10) the goods giving rise to such Account have not been shipped to the Account Debtor in accordance with the Account Debtor's instructions in respect of such goods, or such goods are otherwise nonconforming goods, or the services giving rise to such Account have not been properly performed by the Borrower or the applicable Controlled Subsidiary; or

(11) the total unpaid Accounts of the Account Debtor exceed a credit limit determined by the Administrative Agent in its reasonable discretion (which credit limit may be based upon the extent to which the total unpaid Accounts of such Account Debtor are excess relative to all other unpaid Accounts and upon such other customary credit criteria as the Administrative Agent reasonably deems appropriate), to the extent such Account exceeds such limit; or

(12) the total unpaid Accounts of the Account Debtor exceed \$3,000,000 (or such other amount in excess of \$3,000,000 approved by the Administrative Agent in writing) to the extent such unpaid Accounts exceed \$3,000,000 or such other amount, or

(13) the Account is evidenced by chattel paper or an instrument of any kind, or has been reduced to judgment; or

(14) the Borrower or the applicable Controlled Subsidiary has made any agreement with the Account Debtor for any deduction therefrom, except for discounts or allowances which are made in the ordinary course of the Borrower's or the applicable Controlled Subsidiary's business for prompt payment and which discounts or allowances are reflected in the calculation of the face value of each invoice related to such Account; or

(15) the Account arises out of a sale by the Borrower or a Controlled Subsidiary to any Affiliate of the Borrower or a Controlled Subsidiary or to a Person controlled by an Affiliate of the Borrower or a Controlled Subsidiary.

"Eligible Account Advance Amount" means, at any date, an amount equal to eighty-five percent (85%) of the net face amount of all Eligible Accounts outstanding at such date.

"Eligible Assignee" means, with respect to any assignment of the rights, interest and obligations of a Lender hereunder, a Person that is at the time of such assignment (a) a commercial bank organized or licensed under the laws of the United States or any state thereof, having combined capital and surplus in excess of \$500,000,000, (b) a commercial bank organized under the laws of any other country that is a member of the Organization of Economic Cooperation and Development, or a political subdivision of any such country, having combined capital and surplus in excess of \$500,000,000, (c) a finance company, insurance company or other financial institution which in the ordinary course of business extends credit of the type extended hereunder and that has total assets in excess of \$1,000,000,000, (d) a Lender hereunder (whether as an original party to this Agreement or as the assignee of another Lender), (e) an Affiliate or Subsidiary of a Lender (whether as an original party to this Agreement or as the assignee of another Lender), hereunder that does not otherwise qualify as an Eligible Assignee provided such Lender continues to be obligated under this Agreement, (f) the successor (whether by transfer of assets, merger or otherwise) to all or substantially all of the commercial lending business of the assigning Lender, or (g) any other Person that has been approved in writing as an Eligible Assignee by the Administrative Agent and, if no Default or Event of Default exists and is continuing, by the Borrower.

"Eligible Inventory" means such inventory of the Borrower and its Controlled Subsidiaries which the Administrative Agent, in the exercise of its reasonable credit judgment, deems to be Eligible Inventory. Without limiting the generality of the foregoing, no inventory shall be Eligible Inventory unless, in the Administrative Agent's reasonable determination, it (i) is in good, new and saleable condition, (ii) is not obsolete or unmerchantable, (iii) meets all standards imposed by any governmental agency or authority, (iv) conforms in all respects to the warranties and representations set forth in this Agreement and the Security Agreements, (v) is at all times subject to the Administrative Agent's duly perfected, first priority Lien and no other Lien other than Permitted Liens, and (vi) is situated at a location in compliance with Section

8.10 hereof.

"Eligible Inventory Advance Amount" means, at any date, the lesser of (i) an amount equal to the product of (a) the Eligible Inventory Advance Rate, times

(b) the aggregate amount of the Eligible Inventory (calculated on the lower of cost or market, on a first-in, first-out basis) at such time, or (ii) \$15,000,000.

"Eligible Inventory Advance Rate" means, with respect to Eligible Inventory consisting of propane, fuel oil, diesel oil, kerosene or gasoline, eighty percent (80%).

"Environmental Laws" means any and all federal, state and local laws, statutes, ordinances, rules, regulations, permits, licenses, approvals, interpretations and orders of courts or Governmental Authorities, relating to the protection of human health (including, but not limited to employee health and safety) or the environment, including, but not limited to, requirements pertaining to the manufacture, processing, distribution, use, treatment, storage, disposal, transportation, handling, reporting, licensing, permitting, investigation or remediation of Hazardous Materials.

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

"ERISA Affiliate" means any Person who together with the Borrower is treated as a single employer within the meaning of Section 414(b), (c), (m) or (o) of the Code or Section 4001(b) of ERISA.

"Eurodollar Reserve Percentage" means, for any day, the percentage (expressed as a decimal and rounded upwards, if necessary, to the next higher 1/100th of 1%) which is in effect for such day as prescribed by the Federal Reserve Board (or any successor) for determining the maximum reserve requirement (including without limitation any basic, supplemental or emergency reserves) in respect of Eurocurrency liabilities or any similar category of liabilities for a member bank of the Federal Reserve System in New York City.

"Event of Default" means any of the events specified in Section 11.01;

provided that any requirement for passage of time, giving of notice, or any

other condition, has been satisfied.

"Existing Credit Agreement" has the meaning set forth in the recitals to this Agreement.

"Existing Letters of Credit" means the letters of credit set forth on Schedule 3.01 hereto and deemed issued under Article III.

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"Expansion Capital Expenditures" means Capital Expenditures made for the purpose of generating incremental net cash flow, including, without limitation, the purchase of customer storage tanks.

"Extensions of Credit" means, as to any Lender at any time, an amount equal to the sum of (a) the aggregate principal amount of all Working Capital Loans made by such Lender then outstanding, (b) the aggregate principal amount of all Acquisition Loans made by such Lender then outstanding, (c) such Lender's Commitment Percentage of the L/C Obligations then outstanding and (d) such Lender's Commitment Percentage of the Swingline Loans then outstanding.

"FDIC" means the Federal Deposit Insurance Corporation, or any successor thereto.

"Federal Funds Rate" means, the rate per annum (rounded upwards, if necessary, to the next higher 1/100th of 1%) representing the daily effective federal funds rate as quoted by the Administrative Agent and confirmed in Federal Reserve Board Statistical Release H.15 (519) or any successor or substitute publication selected by the Administrative Agent. If, for any reason, such rate is not available, then "Federal Funds Rate" means a daily rate which is determined, in the opinion of the Administrative Agent, to be the rate at which federal funds are being offered for sale in the national federal funds market at 9:00 a.m. (Charlotte time). Rates for weekends or holidays shall be the same as the rate for the most immediate preceding Business Day.

"Financial Officer" means, as to any Person, the president, the chief financial officer or the controller of such Person.

"First Union" means First Union National Bank, a national banking association, and its successors.

"Fiscal Year" means the 52-week fiscal year of any Person ending September 30 of each calendar year.

"GAAP" means generally accepted accounting principles, as recognized by the American Institute of Certified Public Accountants and the Financial Accounting Standards Board, consistently applied and maintained on a consistent basis for the Borrower and its Consolidated Subsidiaries throughout the period indicated and consistent with the prior financial practice of the Borrower and its Consolidated Subsidiaries.

"Governmental Approvals" means all authorizations, consents, approvals, licenses and exemptions of, registrations and filings with, and reports to, all Governmental Authorities.

"Governmental Authority" means any nation, province, state or political subdivision thereof, and any government or any Person exercising executive, legislative, 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.

"Guaranty" of or by any Person means any obligation, contingent or otherwise, of such Person guaranteeing or having the economic effect of guaranteeing any Debt of any other Person (the "primary obligor") (excluding endorsements of checks for collection or deposit in the ordinary course of business) in any manner, whether directly or indirectly, and including any obligation of such Person, direct or indirect, (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or to purchase (or to advance or supply funds for the purchase of) any security for the payment of such Debt, (ii) to purchase property, securities or services for the purpose of assuring the owner of such Debt of the payment of such Debt or (iii) to maintain working capital, equity capital or other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Debt.

"Guaranty Agreements" means, collectively, (i) the Subsidiary Guaranty Agreements in substantially the form of Exhibit I-1 hereto, (ii) the Energy, -----
L.P. Guaranty Agreement in substantially the form of Exhibit I-2 hereto, and -----
(iii) all other guaranty agreements in favor of the Administrative Agent executed in connection with Permitted Acquisitions.

"Hedging Agreement" means any agreement with respect to an interest rate swap, collar, cap, floor or a forward rate agreement or other agreement regarding the hedging of interest rate risk exposure executed in connection with hedging the interest rate exposure of the Borrower under this Agreement, and any confirming letter executed pursuant to such hedging agreement, all as amended, restated or otherwise modified.

"Hoosier Subordinated Debt" means the Debt evidenced by, collectively, (i) that certain Subordinated Debenture dated as of January 12, 2001, payable by Energy Propane to L&L Leasing, Inc., an Indiana corporation, in the amount of \$1,400,000; (ii) that certain Subordinated Debenture dated as of January 12, 2001, payable by Energy Propane to Domex, Inc., an Indiana corporation, in the amount of \$650,000; and (iii) that certain Subordinated Debenture dated as of January 12, 2001, payable by Energy Propane to Investors 300, Inc., an Indiana corporation, in the amount of \$2,950,000.

"Energy GP" means Energy GP, LLC, a Delaware limited liability company.

"Energy Holdings" means Energy Holdings, LLC, a Delaware limited liability company.

"Energy, L.P." means Energy, L.P., a Delaware limited partnership.

"Energy, L.P. Guaranty Agreement" means the Guaranty executed by Energy, L.P. in favor of the Administrative Agent, dated the Closing Date, together with any amendments, renewals, restatements, replacements, consolidations or other modifications thereof from time to time.

"Energy, L.P. Pledge Agreement" means a Pledge Agreement from Energy, L.P., as pledgor, to the Administrative Agent, as pledgee, dated the Closing Date, pursuant to which Energy, L.P. grants to the Administrative Agent a Lien as security for the payment and performance of all obligations under the Energy, L.P. Guaranty Agreement on all of Energy L.P.'s existing and future equity and other interests in the Borrower, together with any amendments, renewals, restatements, replacements, consolidations or other modifications thereof from time to time.

"Energy Partners" has the meaning set forth in the recitals to this Agreement.

"Energy Sales" means Energy Sales & Service, Inc., a Delaware corporation.

"Energy Transportation" means Energy Transportation, LLC, a Delaware limited liability company.

"Intercreditor Agreement" means an intercreditor agreement among the Collateral Agent, the Administrative Agent, on behalf of itself and the Lenders, and the holders of the Private Placement Debt, in substantially the form of Exhibit M hereto (with such changes and modifications as are approved by the

Administrative Agent), pursuant to which the Obligations and the Private Placement Debt shall rank pari passu with respect to payments and with respect to liens and security interests in the Collateral.

"Interest Period" has the meaning assigned thereto in Section 4.06(b).

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

"ISP 98" means the International Standby Practices (1998 Revision, effective January 1, 1999), International Chamber of Commerce Publication No. 590.

"Issuing Lender" means First Union, in its capacity as issuer of any Letter of Credit, or any successor thereto.

"L & L Transportation" means L & L Transportation, LLC, a Delaware limited liability company.

"L/C Commitment" means the lesser of (a) Seven Million Dollars (\$7,000,000), (b) the Borrowing Base and (c) the Working Capital Commitment.

"L/C Facility" means the letter of credit facility established pursuant to Article III.

"L/C Obligations" means at any time, an amount equal to the sum of (a) the aggregate undrawn and unexpired amount of the then outstanding Letters of Credit and (b) the aggregate amount of drawings under Letters of Credit which have not then been reimbursed pursuant to Section 3.05.

"L/C Participants" means the collective reference to all the Lenders other than the Issuing Lender.

"Lender" means each Person executing this Agreement as a Lender (including, without limitation, the Issuing Lender and the Swingline Lender unless the context otherwise requires) set forth on the signature pages hereto and each Person that hereafter becomes a party to this Agreement as a Lender pursuant to Section 13.10.

"Lending Office" means, with respect to any Lender, the office of such Lender maintaining such Lender's Commitment Percentage of the Loans as set forth on Schedule 1.01B hereto.

"Letters of Credit" has the meaning assigned thereto in Section 3.01.

"LIBOR" means the rate of interest per annum determined on the basis of the rate for deposits in Dollars in minimum amounts of at least \$2,000,000 for a period equal to the Interest Period selected which appears on the Dow Jones Market Screen 3750 at approximately 11:00 a.m. London time, two (2) Business Days prior to the first day of the applicable Interest Period (rounded upward, if necessary, to the nearest one-sixteenth of one percent (1/16%)). If, for any reason, such rate does not appear on Dow Jones Market Screen 3750, then "LIBOR" shall be determined by the Administrative Agent to be the arithmetic average of the rate per annum at which deposits in Dollars in minimum amounts of at least \$2,000,000 would be offered by first class banks in the London interbank market to the Administrative Agent at approximately 11:00 a.m. London time, two (2) Business Days prior to the first day of the applicable Interest Period for settlement in immediately available funds by leading banks in the London interbank market for a period equal to the Interest Period selected. Each calculation by the Administrative Agent of LIBOR shall be conclusive and binding for all purposes, absent manifest error.

"LIBOR Rate" means a rate per annum (rounded upwards, if necessary, to the next higher 1/100th of 1%) determined by the Administrative Agent pursuant to the following formula:

$$\text{LIBOR Rate} = \frac{\text{LIBOR}}{1.00\text{-Eurodollar Reserve Percentage}}$$

"LIBOR Rate Loan" means any Loan bearing interest at a rate based upon the LIBOR Rate as provided in Section 4.06(a).

"Lien" means any mortgage, deed of trust, pledge security interest, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), or preference, priority, or other security agreement or preferential arrangement, charge or encumbrance of any kind or nature whatsoever (including, without limitation, any conditional sale or other title retention agreement, any financing lease having substantially the same economic effect as any of the foregoing, and the filing of any financing statement under the UCC or comparable law of any jurisdiction to evidence any of the foregoing).

"Loan" means any Working Capital Loan, Acquisition Loan or Swingline Loan made to the Borrower pursuant to Article II; "Loans" means the collective reference thereto.

"Material Adverse Effect" means (a) a materially adverse effect on the business, assets, operations, prospects or financial condition of Inergy, L.P. and its Subsidiaries, taken as a whole,

or the Borrower and its Subsidiaries, taken as a whole, (b) any material impairment of the ability of Inergy, L.P., the Borrower or any Subsidiary of the Borrower to perform any of its respective Obligations under any Credit Document or (c) any material impairment of the rights of, or benefits available to, the Lenders or the Administrative Agent under any of the Credit Documents.

"Mortgages" means, collectively, (i) all of the deeds to secure debt, mortgages and deeds of trust dated January 12, 2001, executed by the Borrower in favor of the Administrative Agent in connection with the Existing Credit Agreement, relating to each of the real properties owned by the Borrower on the date thereof, as such deeds to secure debt, mortgages and deeds of trust have been amended pursuant to first amendments to deeds to secure debt, first amendments to mortgages and first amendments to deeds of trust, as the case may be, dated as of the Closing Date, between the Borrower, the Administrative Agent and the respective trustee thereunder, if applicable, (ii) all of the deeds to secure debt, mortgages and deeds of trust executed by the Borrower or any of its Subsidiaries in favor of the Administrative Agent in connection with Permitted Acquisitions or pursuant to Section 10.03(b), and (iii) any other assignments, -----
amendments, renewals, restatements, replacements, consolidations or other modifications from time to time of any of the foregoing.

"New Inergy Propane, LLC" means New Inergy Propane, LLC, a Delaware limited liability company.

"1998 Credit Agreement" has the meaning set forth in the recitals to this Agreement.

"Notes" means the collective reference to the Working Capital Notes, the Acquisition Notes and the Swingline Note; "Note" means any of such Notes.

"Notice of Account Designation" has the meaning assigned thereto in Section -----
4.01(b).

"Notice of Borrowing" has the meaning assigned thereto in Section 4.01(a).

"Notice of Conversion/Continuation" has the meaning assigned thereto in Section 4.07.

"Obligations" means, in each case, whether now in existence or hereafter arising: (a) the principal of and interest on (including interest accruing after the filing of any bankruptcy or similar petition) the Loans, (b) the L/C Obligations, (c) all payment and other obligations owing by the Borrower to any Lender or the Administrative Agent under any Hedging Agreement to which a Lender is a party (or any Affiliate of a Lender) which is permitted under this Agreement and (d) all other fees and commissions (including attorney's fees), charges, indebtedness, loans, liabilities, financial accommodations, obligations, covenants and duties owing by any Credit Party to the Lenders or the Administrative Agent, in each case under or in respect of this Agreement, any Note, any Letter of Credit or any of the other Credit Documents of every kind, nature and description, direct or indirect, absolute or contingent, due or to become due, contractual or tortious, liquidated or unliquidated, and whether or not evidenced by any note, and whether or not for the payment of money under or in respect of this Agreement, any Note, any Letter of Credit or any of the other Credit Documents.

"Officer's Compliance Certificate" has the meaning assigned thereto in Section 7.02.

"Organic Documents" means, relative to any Credit Party, its partnership agreement, limited liability company agreement, certificate of incorporation, certificate of formation, its by-laws or operating agreement and all shareholder agreements, voting trusts and similar arrangements applicable to any of its authorized shares of Capital Stock or other equity interests.

"Original Credit Agreement" has the meaning set forth in the recitals to this Agreement.

"Other Taxes" has the meaning assigned thereto in Section 4.16(b).

"Permitted Acquisition" means an acquisition (or series of related acquisitions) by the Borrower or any Subsidiary Guarantor of all or any part of the assets of another Person (such assets being referred to herein as the "Target Assets") or of at least 51% of the voting equity interests of another Person (such Person being referred to herein as the "Target") in each case made in compliance with all of the following terms and conditions:

(1) the Target is in, or the Target Assets are employed in, the same line of business as the Borrower;

(2) in the case of an equity acquisition the Controlled Subsidiary is a Target of the Borrower (or, in the case of an equity acquisition in the form of a merger, (a) the Target is merged with and into the Borrower or a Controlled Subsidiary, with the Borrower or such Controlled Subsidiary, as the case may be, being the surviving entity, or (b) the Target is merged with and into a Controlled Subsidiary with the Target being the surviving entity, provided that such surviving entity qualifies as a Controlled Subsidiary);

(3) no Default or Event of Default exists at the time of the acquisition or would result therefrom;

(4) the purchase price (including assumed Debt) of any Target or Target Assets shall not exceed \$15,000,000, and (ii) the aggregate purchase price (including assumed Debt) of all Targets and Target Assets shall not exceed \$30,000,000 in any Fiscal Year.

(5) upon the consummation of the acquisition, the Administrative Agent shall have (or shall have received, as the case may be):

(i) in the case of an asset acquisition, a Lien on all Target Assets subject to no other Lien other than Permitted Liens (and, in connection therewith, the Borrower shall have submitted to the Administrative Agent for its approval a revised Schedule 8.10 to

this Agreement reflecting the location of the Collateral, inclusive of Target Assets),

(ii) in the case of an equity acquisition, (i) a Guaranty from the Target in form and substance satisfactory to the Administrative Agent, pursuant to which such Target guarantees, in favor of the Administrative Agent, the payment and performance of all Obligations, (ii) a Lien on all existing and future assets of the Target, subject to no other Lien other than Permitted Liens,

(iii) a Lien on all of the existing and future equity interests in the Target, subject to no other Lien other than Permitted Liens, and (iv) the Borrower shall have submitted to the Administrative Agent for its approval a revised Schedule 6.01(b)

to this Agreement reflecting the ownership structure of the Borrower and its Subsidiaries,

(iii) if any Target Assets (or any assets of the Target) consist of real property, in each case at no expense to the Administrative Agent, (i) title insurance and endorsements with respect to such real property in form, terms and scope, satisfactory to the Administrative Agent, (ii) a survey of such real property, satisfactory to the Administrative Agent, (iii) if such property is owned in fee, a mortgage, deed of trust or deed to secure debt, as applicable, satisfactory to the Administrative Agent and granting the Administrative Agent a Lien on such fee interest, and (iv) if such property is leased, a landlord's waiver from each owner thereof, satisfactory to the Administrative Agent, and

(iv) such UCC financing statements, loan and security agreements and other documents (including, without limitation, opinions of counsel to the Borrower and the Target regarding, among other things, the authority of the Target to guarantee the Obligations and to grant Liens) as the Administrative Agent may reasonably request in connection with the conditions set forth in this subpart (5);

(6) the Borrower shall have paid all reasonable costs and expenses incurred by the Administrative Agent and its counsel in connection with such acquisition, including, without limitation, all such costs and expenses incurred to satisfy the conditions set forth in subpart (5) above; and

(7) the Administrative Agent shall have received such other assurances and documentation as the Administrative Agent may reasonably request from time to time in connection with the acquisition and the conditions set forth above.

"Permitted Debt" means any of the following:

(1) Debt under this Agreement (including, Guaranties of Debt under this Agreement) and Debt under the Existing Credit Agreement on or prior to the Effective Date;

(2) Debt in an aggregate principal amount not to exceed \$2,000,000 at any time outstanding which is subordinated to the Obligations pursuant to the terms of a subordination agreement satisfactory to the Administrative Agent and the Required Lenders in their sole discretion;

(3) Debt of the Borrower or any Subsidiary Guarantor to any other Subsidiary Guarantor;

(4) Debt other than Debt described in subparts (1) through (3) above, provided that the aggregate outstanding principal amount of such Debt (with respect to all Credit Parties) does not exceed \$2,000,000 at any time;

(5) Debt of the type described in clause (i) of the definition "Debt" provided such Debt is incurred in connection with interest rate protection agreements (including, Hedging Agreements) covering the floating rate portion of the Obligations under this Agreement;

(6) Other Debt in existence on the Closing Date and set forth on Schedule 10.02 hereto;

(7) Permitted Private Placement Debt and Guaranties of Permitted Placement Debt; and

(8) Other Debt approved in advance by the Administrative Agent and the Required Lenders in writing.

"Permitted Liens" means any of the following:

(1) Liens for taxes, assessments or governmental charges not delinquent or being contested in good faith and by appropriate proceedings and for which adequate reserves in accordance with GAAP are maintained on the Borrower's books;

(2) Liens arising out of deposits in connection with workers' compensation, unemployment insurance, old age pensions or other social security or retirement benefits legislation;

(3) deposits or pledges to secure bids, tenders, contracts (other than contracts for the payment of money), leases, statutory obligations, surety and appeal bonds, and other obligations of like nature arising in the ordinary course of the Borrower's business;

(4) Liens imposed by law, such as mechanics', workers', materialmen's, carriers' or other like liens (excluding, however, any statutory or other Lien in favor of a landlord under a written or oral lease) arising in the ordinary course of the Borrower's business which secure the payment of obligations which are not past due or which are being diligently contested in good faith by appropriate proceedings and for which adequate reserves in accordance with GAAP are maintained on the Borrower's books;

(5) rights of way, zoning restrictions, easements and similar encumbrances affecting the Borrower's real property which do not materially interfere with the use of such property;

(6) Liens in favor of the Administrative Agent;

(7) Liens in favor of the Collateral Agent securing Permitted Private Placement Debt, (i) which are pari passu with the Liens in favor of the Administrative

Agent securing the Obligations, and (ii) which are subject to the Intercreditor Agreement; and

(8) purchase money security interests for the purchase of equipment to be used in the Borrower's business, encumbering only the equipment so purchased, and which secures only the purchase-money Debt incurred to acquire the equipment so purchased and which Debt qualifies as Permitted Debt.

"Permitted Private Placement Debt" means obligations of the Borrower to lenders or other Persons pursuant to a private placement; provided, (i) the -----
principal amount of such obligations does not exceed \$70,000,000; (ii) such obligations are incurred in a single transaction within a period of twelve (12) months from the Closing Date; (iii) such obligations are not secured by any other assets (real or personal) of any Person not securing the Obligations; (iv) such obligations are not guaranteed by any Person other than Persons guaranteeing the Obligations; (v) such Obligations shall not require or permit any principal payments to be made on or prior to December 31, 2005 and (vi) such obligations are subject to the Intercreditor Agreement.

"Person" means an individual, corporation, limited liability company, partnership, association, trust, business trust, joint venture, joint stock company, pool, syndicate, sole proprietorship, unincorporated organization, Governmental Authority or any other form of entity or group thereof.

"Plan" means an employee benefit plan (as defined in Section 3(3) of ERISA) maintained for employees of the Borrower.

"Pledge Agreements" means, collectively, (i) the Subsidiary Pledge Agreement; (ii) the Borrower Pledge Agreement and (iii) the Inergy, L.P. Pledge Agreement; and (iv) any other pledge agreement entered into thereafter from any other Person holding an equity or other interest in any of the Credit Parties (other than Inergy, L.P.), any Target or any other direct or indirect Subsidiary of the Borrower, as pledgor, to the Administrative Agent, as pledgee, securing all or any part of the Obligations or the payment and performance of all or any portion of the obligations under the applicable Guaranty Agreements each in substantially the form of Exhibit K hereto.

"Prime Rate" means, at any time, the rate of interest per annum publicly announced from time to time by First Union as its prime rate. Each change in the Prime Rate shall be effective as of the opening of business on the day such change in the Prime Rate occurs. The parties hereto acknowledge that the rate announced publicly by First Union as its Prime Rate is an index or base rate and shall not necessarily be its lowest or best rate charged to its customers or other banks.

"Register" has the meaning assigned thereto in Section 13.10(d).

"Reimbursement Obligation" means the obligation of the Borrower to reimburse the Issuing Lender pursuant to Section 3.05 for amounts drawn under -----
Letters of Credit.

"Required Lenders" means, at any date, the Administrative Agent and any combination of Lenders whose Commitments aggregate at least 66-2/3% of the Aggregate Commitment or, if the Credit Facilities have been terminated pursuant to the terms hereof, the Administrative Agent and any combination of Lenders holding at least 66-2/3% of the aggregate Extensions of Credit.

"Restructuring" means the restructuring of the capital and ownership structure of the Credit Parties, in connection with the issuance by Inergy, L.P. of common units of Capital Stock to the public, (i) as more fully described in the Form S-1 Registration Statement (Registration No. 333-56976) of Inergy, L.P. filed with, and declared effective by, the Securities and Exchange Commission, and (ii) as approved by the Administrative Agent.

"Rolesville" has the meaning set forth in the recitals to this Agreement.

"Security Agreements" means, collectively, (i) each of the Subsidiary Security Agreements, (ii) the Borrower Security Agreement, and (iii) all other security agreements executed by the Borrower or any of its Subsidiaries in favor of the Administrative Agent in connection with Permitted Acquisitions or pursuant to Section 10.03(b), each in substantially the form of Exhibit J

hereto.

"Solvent" means, with respect to any Person, that such Person (a) has capital sufficient to carry on its business and transactions and all business and transactions in which it is about to engage and is able to pay its debts as they mature, (b) owns property having a value, both at fair valuation and at present fair saleable value, greater than the amount required to pay its probable liabilities (including contingencies), and (c) does not believe that it will incur debts or liabilities beyond its ability to pay such debts or liabilities as they mature.

"Subsidiary" means as to any Person, any corporation, partnership, limited liability company or other entity of which more than fifty percent (50%) of the outstanding Capital Stock or other ownership interests having ordinary voting power to elect a majority of the board of directors or other managers of such corporation, partnership, limited liability company or other entity is at the time, directly or indirectly, owned by or the management is otherwise controlled by such Person (irrespective of whether, at the time, Capital Stock or other ownership interests of any other class or classes of such corporation, partnership, limited liability company or other entity shall have or might have voting power by reason of the happening of any contingency). Unless otherwise qualified references to "Subsidiary" or "Subsidiaries" herein shall refer to

those of the Borrower.

"Subsidiary Guaranty Agreements" means, collectively, (i) each Amended and Restated Guaranty executed by L & L Transportation, and Inergy Transportation, respectively, in favor of the Administrative Agent, dated on or about the Closing Date, (ii) the Guaranty Agreement executed by Inergy Sales in favor of Administrative Agent, dated on or about the Closing Date and (iii) any amendments, renewals, restatements, replacements, consolidations or other modifications thereof from time to time.

"Subsidiary Guarantor" means, collectively, (i) L & L Transportation, Inergy Transportation and Inergy Sales and (ii) any Target that executes and delivers a guaranty pursuant to clause (5)(ii) of the definition of "Permitted Acquisition".

"Subsidiary Pledge Agreement" means, collectively, the Pledge Agreement from L & L Transportation, as pledgor, to the Administrative Agent, as pledgee, dated the Closing Date, pursuant to which L & L Transportation grants to the Administrative Agent a Lien as security for the payment and performance of all obligations under the applicable Subsidiary Guaranty Agreement executed by L & L Transportation in all of its existing and future equity and other interests in Energy Sales, together with and any amendments, renewals, restatements, replacements, consolidations or other modifications thereof from time to time.

"Subsidiary Security Agreements" means, collectively, (i) an Amended and Restated Security Agreement from L & L Transportation, as debtor, to the Administrative Agent, as secured party, dated the Closing Date, pursuant to which the Administrative Agent is granted a Lien, as security for the payment and performance of all obligations under the applicable Subsidiary Guaranty Agreement, on all of L & L Transportation's existing and future assets; (ii) an Amended and Restated Security Agreement from Inergy Transportation, as debtor, to the Administrative Agent, as secured party, dated the Closing Date, pursuant to which the Administrative Agent is granted a Lien as security for the payment and performance of all obligations under the applicable Subsidiary Guaranty Agreement, on all of Inergy Transportation's existing and future assets; (iii) a Security Agreement from Inergy Sales, as debtor, to the Administrative Agent, as secured party, dated the Closing Date, pursuant to which the Administrative Agent is granted a Lien, as security for the payment and performance of all obligations under the applicable Subsidiary Guaranty Agreement, on all of Inergy Sale's existing and future assets; and (iv) any amendments, renewals, restatements, replacements, consolidations or other modifications thereof from time to time.

"Swap Counterparty" as used in the Credit Documents means the Administrative Agent, any Lender or any Affiliate thereof party to a Hedging Agreement with the Borrower.

"Swingline Commitment" means Two Million Dollars (\$2,000,000).

"Swingline Facility" means the swingline facility established pursuant to Section 2.02.

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"Swingline Lender" means First Union in its capacity as swingline lender hereunder.

"Swingline Loan" means the swingline loans made by the Swingline Lender to the Borrower pursuant to Section 2.02, and all such loans collectively as the context requires.

"Swingline Note" means the Swingline Note made by the Borrower payable to the order of the Swingline Lender, substantially in the form of Exhibit A-3 hereto, evidencing the Swingline Loans, and any amendments, supplements and modifications thereto, any substitutes therefor, and any replacements, restatements, renewals or extension thereof, in whole or in part.

"Swingline Termination Date" means the earlier to occur of (a) the resignation of First Union as Administrative Agent in accordance with Section 12.09 and (b) the Termination Date.

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"Taxes" has the meaning assigned thereto in Section 4.16(a).

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"Termination Date" means the earliest of (a) _____, 2004 [3 years from the Closing Date], (b) the date of termination by the Borrower of the Commitments in full

pursuant to Section 4.04(a), and (c) the date of termination of the Credit

Facilities pursuant to Section 11.02(a).

"Total Funded Debt" means, with respect to the Borrower and its Consolidated Subsidiaries, at any time, the total amount of Debt at such time, whether such Debt is matured, unmatured, absolute, contingent or otherwise.

"UCC" means the Uniform Commercial Code as in effect in the State where the applicable Collateral is located, as amended or modified from time to time.

"Uniform Customs" means the Uniform Customs and Practice for Documentary Credits (1994 Revision), effective January, 1994, International Chamber of Commerce Publication No. 500.

"United States" means the United States of America.

"Unused Line Fee" has the meaning set forth in Section 4.08(a).

"Wilson Oil" has the meaning set forth in the recitals to this Agreement.

"Working Capital Commitment" means (a) as to any Lender, the obligation of such Lender to make Working Capital Loans to the Borrower hereunder in an aggregate principal amount at any time outstanding not to exceed the amount so designated opposite such Lender's name on Schedule 1.01A hereto, as the same may

be reduced or modified at any time or from time to time pursuant to the terms hereof and (b) as to all Lenders, the aggregate commitment of all Lenders to make Working Capital Loans, as such amount may be increased or reduced at any time or from time to time pursuant to the terms hereof. The Working Capital Commitment of all Lenders on the Closing Date shall be Thirty Million Dollars (\$30,000,000).

"Working Capital Facility" means the loan facility established pursuant to Section 2.01.

"Working Capital Loan" means any of the Working Capital loans made by the Lenders to the Borrower pursuant to Section 2.01 and all such loans collectively

as the context requires.

"Working Capital Notes" means the collective reference to the Working Capital Notes made by the Borrower payable to the order of each Lender, substantially in the form of Exhibit A-2 hereto, evidencing the Working Capital

Facility, and any amendments and modifications thereto, any substitutes therefor, and any replacements, restatements, renewals or extension thereof, in whole or in part; "Working Capital Note" means any of such Working Capital Notes.

SECTION 1.02. Other Definitions and Provisions.

(a) Use of Capitalized Terms. Unless otherwise defined therein, all

capitalized terms defined in this Agreement shall have the defined meanings when used in this Agreement, the Notes and the other Credit Documents or any certificate, report or other document made or delivered pursuant to this Agreement.

(b) Miscellaneous. Unless otherwise specified, a reference in this

to a particular section, subsection, Schedule or Exhibit is a reference to that section, subsection, Schedule or Exhibit of this Agreement. The words "hereof", "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement. Wherever from the context it appears appropriate, each term stated in either the singular or plural shall include the singular and plural, and pronouns stated in the masculine, feminine or neuter gender shall include the masculine, the feminine and the neuter. All accounting terms not specifically defined herein shall be construed in accordance with GAAP. Any reference herein to "Charlotte time" shall refer to the applicable time of day in Charlotte, North Carolina. This Agreement shall be construed without regard to any presumption or rule requiring construction against the party causing such instrument or any portion thereof to be drafted.

ARTICLE II

THE CREDIT FACILITIES

SECTION 2.01. Working Capital Loans.

Subject to the terms and conditions of this Agreement, and in reliance upon the representations and warranties set forth herein, each Lender severally agrees to make Working Capital Loans to the Borrower from time to time from the Closing Date to, but not including, the Termination Date as requested by the Borrower in accordance with the terms of Section 4.01; provided, that (i) the

aggregate principal amount of all outstanding Working Capital Loans (after giving effect to any amount requested and the application of the proceeds thereof) shall not exceed the Working Capital Commitment less the sum of all

outstanding Swingline Loans and L/C Obligations; (ii) the aggregate principal amount of all outstanding Working Capital Loans (after giving effect to any amount requested) shall not exceed the Borrowing Base less the sum of all

outstanding Swingline Loans and L/C Obligations; (iii) the principal amount of outstanding Working Capital Loans from any Lender to the Borrower shall not at any time exceed such Lender's Working Capital Commitment less such Lender's

Commitment Percentage of L/C Obligations and outstanding Swingline Loans; and (iv) the principal amount of all Lenders' Extensions of Credit (after giving effect to any amount requested and the application of the proceeds thereof) shall not at any time exceed the Aggregate Commitments. Each Working Capital Loan by a Lender shall be in a principal amount equal to such Lender's Commitment Percentage of the aggregate principal amount of Working Capital Loans requested on such occasion. Subject to the terms and conditions hereof, the Borrower may borrow, repay and reborrow Working Capital Loans.

SECTION 2.02. Swingline Loans.

(a) Availability. Subject to the terms and conditions of this Agreement,

the Swingline Lender agrees to make Swingline Loans to the Borrower from time to time from the Closing Date through, but not including, the Swingline Termination Date; provided, that the aggregate principal amount of all outstanding Swingline

Loans (after giving effect to any amount requested and the application of the proceeds thereof), shall not exceed the lesser of (i) the Working Capital Commitment less the sum of all outstanding Working Capital Loans and

L/C Obligations, (ii) the Borrowing Base less the sum of all outstanding Working

Capital Loans and L/C Obligations and (iii) the Swingline Commitment. Each Lender acknowledges that the aggregate principal amount of all outstanding Swingline Loans made by the Swingline Lender, when taken together with the aggregate principal amount of all outstanding Working Capital Loans made by the Swingline Lender, may exceed the Swingline Lender's Working Capital Commitment. Upon and during the continuance of a Default or an Event of Default, the Borrower shall no longer have the option of requesting Swingline Loans.

(b) Refunding.

- (i) Swingline Loans shall be reimbursed fully by the Lenders on demand by the Swingline Lender. Such reimbursements shall be made by the Lenders in accordance with their respective Commitment Percentages and shall thereafter be reflected as Working Capital Loans of the Lenders on the books and records of the Administrative Agent; provided that no Lender shall be required to reimburse any Swingline Loan if, after giving effect to such reimbursement, the aggregate principal amount of such Lender's Working Capital Loans outstanding would exceed such Lender's Working Capital Commitment. Each Lender shall fund its respective Commitment Percentage of Working Capital Loans as required to repay Swingline Loans outstanding to the Swingline Lender upon demand by the Swingline Lender but in no event later than 2:00 p.m. (Charlotte time) on the next succeeding Business Day after such demand is made. No Lender's obligation to fund its respective Commitment Percentage of a Swingline Loan shall be affected by any other Lender's failure to fund its Commitment Percentage of a Swingline Loan, nor shall any Lender's Commitment Percentage be increased as a result of any such failure of any other Lender to fund its Commitment Percentage of a Swingline Loan.
- (ii) The Borrower shall pay to the Swingline Lender on demand the amount of such Swingline Loans to the extent amounts received from the Lenders are not sufficient to repay in full the outstanding Swingline Loans requested or required to be refunded. In addition, the Borrower hereby authorizes the Administrative Agent to charge any account maintained by the Borrower or any Subsidiary of the Borrower with the Swingline Lender (up to the amount available therein) in order to immediately pay the Swingline Lender the amount of such Swingline Loans to the extent amounts received from the Lenders are not sufficient to repay in full the outstanding Swingline Loans requested or required to be refunded. If any portion of any such amount paid to the Swingline Lender shall be recovered by or on behalf of the Borrower from the Swingline Lender in bankruptcy or otherwise, the loss of the amount so recovered shall be ratably shared among all the Lenders in accordance with their respective Commitment Percentages.
- (iii) Each Lender acknowledges and agrees that its obligation to refund Swingline Loans in accordance with the terms of this Section 2.02 is

absolute and unconditional and shall not be affected by any circumstance whatsoever, including, without limitation, the existence of a Default or an Event of Default other than a Default or Event of Default that the Swingline Lender had actual knowledge of at the time such Swingline Loan was made. Further, each Lender agrees and acknowledges that if prior to the refunding of any outstanding Swingline Loans pursuant to this Section

2.02, one of the events described in Section 11.01(h) or

(i) shall have occurred, each Lender will, on the next

Business Day, purchase an undivided participating interest in the Swingline Loan in an amount equal to its Commitment Percentage of the aggregate amount of such Swingline Loan. Each Lender will immediately transfer to the Swingline Lender, in immediately available funds, the amount of its participation and upon receipt thereof the Swingline Lender will deliver to such Lender a certificate evidencing such participation dated the date of receipt of such funds and for such amount. Whenever, at any time after the Swingline Lender has received from any Lender such Lender's participating interest in a Swingline Loan, the Swingline Lender receives any payment on account thereof, the Swingline Lender will distribute to such Lender its participating interest in such amount (appropriately adjusted, in the case of interest payments, to reflect the period of time during which such Lender's participating interest was outstanding and funded).

SECTION 2.03. Acquisition Loans.

Subject to the terms and conditions of this Agreement, and in reliance upon the representations and warranties set forth herein, each Lender severally agrees to make Acquisition Loans to the Borrower from time to time from the Closing Date to, but not including, the Termination Date, as requested by the Borrower in accordance with the terms of Section 4.01(a); provided, that (i) the

aggregate principal amount of all outstanding Acquisition Loans (after giving effect to any amount requested) shall not exceed the Acquisition Commitment, (ii) the principal amount of outstanding Acquisition Loans from any Lender to the Borrower shall not at any time exceed such Lender's Acquisition Commitment, and (iii) the aggregate principal amount of all Lenders' Extensions of Credit shall not at any time exceed the Aggregate Commitments. Each Acquisition Loan by a Lender shall be in a principal amount equal to such Lender's Commitment Percentage of the aggregate principal amount of Acquisition Loans requested or required on such occasion. Subject to the terms and conditions hereof, the Borrower may borrow, repay and reborrow Acquisition Loans hereunder.

ARTICLE III

LETTER OF CREDIT FACILITY

SECTION 3.01. L/C Commitment.

(a) Subject to the terms and conditions of this Agreement, the Issuing Lender, in reliance on the agreements of the other Lenders set forth in Section 3.04(a), agrees to issue standby letters of credit ("Letters of Credit") for the account of the Borrower on any Business

Day from the Closing Date to, but not including, the date that is ninety (90) days prior to the Termination Date in such form as may be approved from time to time by the Issuing Lender; provided, that the Issuing Lender shall have no obligation to issue any Letter of Credit if, after giving effect to such issuance, (i) the L/C Obligations would exceed the L/C Commitment or (ii) the aggregate principal amount of outstanding Working Capital Loans, plus the aggregate principal amount of outstanding Swingline Loans, plus the aggregate amount of L/C Obligations would exceed the lesser of (1) the Working Capital Commitment and (2) the Borrowing Base.

(b) Each Letter of Credit shall (i) be denominated in Dollars in a minimum amount of \$100,000, (ii) be a standby letter of credit issued to support obligations of the Borrower or any of its Subsidiaries, contingent or otherwise, incurred in the ordinary course of business, (iii) expire on a date not later than the Termination Date and that is otherwise satisfactory to the Issuing Lender and (iv) be subject to the Uniform Customs and/or ISP 98, as set forth in the Application or as determined by the Issuing Lender and, to the extent not inconsistent therewith, the laws of the State of Missouri. The Issuing Lender shall not at any time be obligated to issue any Letter of Credit hereunder if such issuance would conflict with, or cause the Issuing Lender or any L/C Participant to exceed any limits imposed by, any Applicable Law. References herein to "issue" and derivations thereof with respect to Letters of Credit shall also include extensions or modifications of any existing Letters of Credit, unless the context otherwise requires.

(c) For purposes of this Agreement, the Existing Letters of Credit set forth on Schedule 3.01 hereto shall be deemed issued under this Agreement

and shall constitute Letters of Credit for all purposes under this Agreement. Upon the initial expiration of each Existing Letter of Credit, the Borrower shall terminate and cancel each such Existing Letter of Credit and request a new Letter of Credit to be issued in replacement thereof.

SECTION 3.02. Procedure for Issuance of Letters of Credit.

The Borrower may from time to time request that the Issuing Lender issue a Letter of Credit by delivering to the Issuing Lender at the Administrative Agent's Office an Application therefor, completed to the satisfaction of the Issuing Lender, and such other certificates, documents and other papers and information as the Issuing Lender may request. Upon receipt of any Application, the Issuing Lender shall process such Application and the certificates, documents and other papers and information delivered to it in connection therewith in accordance with its customary procedures and shall, subject to Section 3.01 and Article V, promptly issue the Letter of Credit

requested thereby (but in no event shall the Issuing Lender be required to issue any Letter of Credit earlier than two (2) Business Days after its receipt of the Application therefor and all such other certificates, documents and other papers and information relating thereto) by issuing the original of such Letter of Credit to the beneficiary thereof or as otherwise may be agreed by the Issuing Lender and the Borrower. The Issuing Lender shall promptly furnish to the Borrower a copy of such Letter of Credit and promptly notify each Lender of the issuance and upon request by any Lender, furnish to such Lender a copy of such Letter of Credit and the amount of such Lender's L/C Participation therein.

SECTION 3.03. Commissions and Other Charges.

(a) The Borrower shall pay to the Administrative Agent, for the account of the Issuing Lender and the L/C Participants, a letter of credit commission with respect to each Letter of Credit in an amount equal to the product of (i) the average daily maximum amount available to be drawn during the relevant quarter under such Letter of Credit and (ii) 1.50% (determined on a per annum basis). Such commission shall be payable quarterly in arrears on the last Business Day of each calendar quarter and on the Termination Date. The Administrative Agent shall, promptly following its receipt thereof, distribute to the Issuing Lender and the L/C Participants all commissions received pursuant to this Section 3.03(a) in accordance with their respective Commitment

Percentages.

(b) In addition to the foregoing commission, the Borrower shall pay to the Administrative Agent, for the account of the Issuing Lender, a fronting fee with respect to each Letter of Credit issued on or after the Closing Date in an amount equal to the product of (i) the face amount of such Letter of Credit and (ii) one quarter of one percent (0.25%). Such fronting fee shall be payable in arrears on the last day of each fiscal quarter for each day such Letter of Credit is issued and outstanding.

(c) In addition to the foregoing fees and commissions, the Borrower shall pay or reimburse the Issuing Lender for such normal and customary costs and expenses as are incurred or charged by the Issuing Lender in issuing, effecting payment under, amending or otherwise administering any Letter of Credit.

SECTION 3.04. L/C Participations.

(a) The Issuing Lender irrevocably agrees to grant and hereby grants to each L/C Participant, and, to induce the Issuing Lender to issue Letters of Credit hereunder, each L/C Participant irrevocably agrees to accept and purchase and hereby accepts and purchases from the Issuing Lender, on the terms and conditions hereinafter stated, for such L/C Participant's own account and risk an undivided interest equal to such L/C Participant's Commitment Percentage in the Issuing Lender's obligations and rights under and in respect of each Letter of Credit issued (or deemed issued) hereunder and the amount of each draft paid by the Issuing Lender thereunder. Each L/C Participant unconditionally and irrevocably agrees with the Issuing Lender that, if a draft is paid under any Letter of Credit for which the Issuing Lender is not reimbursed in full by the Borrower through a Working Capital Loan or otherwise in accordance with the terms of this Agreement, such L/C Participant shall pay to the Issuing Lender upon demand at the Issuing Lender's address for notices specified herein an amount equal to such L/C Participant's Commitment Percentage of the amount of such draft, or any part thereof, which is not so reimbursed.

(b) Upon becoming aware of any amount required to be paid by any L/C Participant to the Issuing Lender pursuant to Section 3.04(a) in respect of any

unreimbursed portion of any payment made by the Issuing Lender under any Letter of Credit, the Issuing Lender shall notify each L/C Participant of the amount and due date of such required payment and such L/C Participant shall pay to the Issuing Lender the amount specified on the applicable due date. If any such amount is paid to the Issuing Lender after the date such payment is due, such L/C Participant shall pay to the Issuing Lender on demand, in addition to such amount, the product of (i) such amount, times (ii) the daily average Federal

Funds Rate (or Base Rate, if such

amount is not paid within three Business Days of demand) as determined by the Administrative Agent during the period from and including the date such payment is due to the date on which such payment is immediately available to the Issuing Lender, times (iii) a fraction the numerator of which is the number of days that elapse during such period and the denominator of which is 360. A certificate of the Issuing Lender with respect to any amounts owing under this Section 3.04(b)

shall be conclusive in the absence of manifest error. With respect to payment to the Issuing Lender of the unreimbursed amounts described in this Section

3.04(b), if the L/C Participants receive notice that any such payment is due (A)

prior to 1:00 p.m. (Charlotte time) on any Business Day, such payment shall be due that Business Day, and (B) after 1:00 p.m. (Charlotte time) on any Business Day, such payment shall be due on the following Business Day.

(c) Whenever, at any time after the Issuing Lender has made payment under any Letter of Credit and has received from any L/C Participant its Commitment Percentage of such payment in accordance with this Section 3.04, the

Issuing Lender receives any payment related to such Letter of Credit (whether directly from the Borrower or otherwise) or any payment of interest on account thereof, the Issuing Lender will distribute to such L/C Participant its pro rata share thereof; provided, that in the event that any such payment received by the

Issuing Lender shall be required to be returned by the Issuing Lender, such L/C Participant shall return to the Issuing Lender the portion thereof previously distributed by the Issuing Lender to it.

SECTION 3.05. Reimbursement Obligation of the Borrower.

In the event of any drawing under any Letter of Credit, the Borrower agrees to reimburse (either with the proceeds of a Working Capital Loan as provided for in this Section 3.05 or with funds from other sources), in same day funds, the Issuing Lender on each date on which the Issuing Lender notifies the

SECTION 3.06. Obligations Absolute.

The Borrower's obligations under this Article III (including without limitation the Reimbursement Obligation) shall be absolute and unconditional under any and all circumstances and irrespective of any set-off, counterclaim or defense to payment which the Borrower may have or have had against the Issuing Lender or any beneficiary of a Letter of Credit or any other Person. The Borrower also agrees that the Issuing Lender and the L/C Participants shall not be responsible for, and the Borrower's reimbursement obligation under Section

3.05 shall not be affected by, among other things, the validity or genuineness

of documents or of any endorsements thereon, even though such documents shall in fact prove to be invalid, fraudulent or forged, or any dispute between or among the Borrower and any beneficiary of any Letter of Credit or any other party to which such Letter of Credit may be transferred or any claims whatsoever of the Borrower against any beneficiary of such Letter of Credit or any such transferee. The Issuing Lender shall not be liable for any error, omission, interruption or delay in transmission, dispatch or delivery of any message or advice, however transmitted, in connection with any Letter of Credit, except for errors or omissions caused by the Issuing Lender's gross negligence or willful misconduct. The Borrower agrees that any action taken or omitted by the Issuing Lender under or in connection with any Letter of Credit or the related drafts or documents, if done in the absence of gross negligence or willful misconduct and in accordance with the standards of care specified in ISP 98 or the Uniform Customs, as the case may be, and, to the extent not inconsistent therewith, the UCC, shall be binding on the Borrower and shall not result in any liability of the Issuing Lender or any L/C Participant to the Borrower.

ARTICLE IV

GENERAL LOAN PROVISIONS

SECTION 4.01. Procedure for Advances of Loans.

(a) Requests for Borrowing. The Borrower shall give the

Administrative Agent irrevocable prior written notice in the form attached hereto as Exhibit B (a "Notice of Borrowing") not later than 11:00 a.m.

(Charlotte time) (i) on the same Business Day for each Base Rate Loan and each Swingline Loan and (ii) at least three (3) Business Days before each LIBOR Rate Loan, of its intention to borrow, specifying (A) the date of such borrowing, which shall be a Business Day, (B) the amount of such borrowing, which shall be (x) with respect to each LIBOR Rate Loan, in a principal amount of \$2,000,000 or a whole multiple of \$500,000 in excess thereof, (y) with respect to each Base Rate Loan, in a principal amount of \$1,000,000 or a whole multiple of \$100,000 in excess thereof, and (z) with respect to each Swingline Loan, in a principal amount of \$250,000 or a whole multiple of \$50,000 in excess thereof, (C) whether such Loan is to be a Working Capital Loan, Swingline Loan or Acquisition Loan, (D) in the case of a Working Capital Loan or Acquisition Loan, whether the Loans are to be LIBOR Rate Loans or Base Rate Loans, and (E) in the case of a LIBOR Rate Loan, the duration of the Interest Period applicable thereto. A Notice of Borrowing received after 11:00 a.m. (Charlotte time) shall be deemed received on the next Business Day. The Administrative Agent shall promptly notify the Lenders of each Notice of Borrowing.

(b) Disbursement of Loans. Not later than 2:00 p.m. (Charlotte

time) on the proposed borrowing date, (i) each Lender will make available to the Administrative Agent, for the account of the Borrower, at the office of the Administrative Agent in funds immediately available to the Administrative Agent, as applicable, (A) such Lender's Commitment Percentage of the Working Capital Loans to be made on such borrowing date, and (B) such Lender's Commitment Percentage of the Acquisition Loans to be made on such borrowing date and (ii) the Swingline Lender will make available to the Administrative Agent, for the account of the Borrower, at the office of the Administrative Agent in funds immediately available to the Administrative Agent, the Swingline Loans to be made to the Borrower on such borrowing date. The Borrower hereby irrevocably authorizes the Administrative Agent to disburse the proceeds of each borrowing requested pursuant to this Section 4.01 in immediately available funds by

crediting or wiring such proceeds to the deposit account of the Borrower identified in the most recent notice substantially in the form of Exhibit C

hereto (a "Notice of Account Designation") delivered by the Borrower to the Administrative Agent or such other account as may be otherwise agreed upon by the Borrower and the Administrative Agent from time to time. Subject to Section

4.12, the Administrative Agent shall not be obligated to disburse the portion of

the proceeds of any Working Capital Loan, the Acquisition Loan or Swingline Loan requested pursuant to this Section 4.01 to the extent that any Lender (or the

Swingline Lender, in the case of Swingline Loans) has not made available to the Administrative Agent its applicable Commitment Percentage of such Loan. Working Capital Loans to be made for the purpose of refunding Swingline Loans shall be made by the Lenders as provided in Section 2.02(b).

SECTION 4.02. Repayment of Loans.

(a) Repayment on Termination Date. On the Termination Date, the

Borrower shall repay the outstanding principal amount of (i) all Working Capital Loans, Acquisition Loans and Reimbursement Obligations in full, and (ii) to the extent the Swingline Termination Date has not occurred, all Swingline Loans together, in each case, with all accrued but unpaid interest thereon.

(b) Clean-Down Period. Notwithstanding anything to the contrary in

this Agreement and commencing with the Fiscal Year beginning October 1, 2001, the Borrower must reduce to and/or maintain at \$4,000,000 or less, as the case may be, the aggregate outstanding principal balance of all Working Capital Loans and Swingline Loans for a period of not less than thirty (30) consecutive days during each Clean Down Period.

(c) Mandatory Repayment of Working Capital Loans. If at any time

the outstanding principal amount of all Working Capital Loans plus the sum of all outstanding Swingline Loans and L/C Obligations, as of such date exceeds the lesser of (i) Working Capital Commitment and (ii) the Borrowing Base, the Borrower shall repay immediately upon notice from the Administrative Agent, by payment to the Administrative Agent for the account of the Lenders, the aggregate outstanding Working Capital Loans, Swingline Loans and L/C Obligations in an amount equal to such excess with each such repayment applied first to the

principal amount of outstanding Swingline Loans, second to the principal amount

of outstanding Working Capital Loans and third, with respect to any Letters of

Credit then outstanding, a payment of cash collateral into a cash collateral account opened by the Borrower

with the Administrative Agent, for the benefit of the Lenders (such cash collateral to be applied in accordance with Section 11.02(b)). Each such

repayment shall be accompanied by any amount required to be paid pursuant to Section 4.14.

(d) Mandatory Repayment of Acquisition Loans. If at any time the

outstanding principal amount of all Acquisition Loans exceeds the Acquisition Commitment, the Borrower shall repay immediately upon notice from the Administrative Agent, by payment to the Administrative Agent for the account of the Lenders, the Acquisition Loans in an amount equal to such excess. Each such repayment shall be accompanied by any amount required to be paid pursuant to Section 4.14.

(e) Asset Dispositions. If the Borrower or any of its Subsidiaries

sells or otherwise disposes of any assets (other than the sale of inventory and motor vehicles in the ordinary course of the Borrower's business), or if any Collateral or other assets of the Borrower or its Subsidiaries is taken by condemnation or other governmental taking, then in each case the Borrower shall pay to the Administrative Agent for the account of the Lenders unless otherwise agreed by the Required Lenders, as a mandatory prepayment of the Loans (in the manner set forth below), a sum equal to the net proceeds received by the Borrower or Subsidiary from such sale or condemnation; provided, however, that

(i) the Borrower shall not be obligated to remit the first \$250,000 of any such proceeds received in any Fiscal Year, and (ii) the Borrower shall not be obligated to remit any such proceeds to the Administrative Agent if, prior to such sale or condemnation, the Borrower gives the Administrative Agent written notice that the Borrower intends to use such proceeds to purchase replacement assets of a similar type within sixty (60) days thereafter (such notice to specify in reasonable detail the nature and specifics of such replacement purchase) and such proceeds are in fact used within such time period to purchase such replacement assets.

(f) Issuance of Private Placement Debt. If the Borrower incurs any

Private Placement Debt then, the Borrower shall pay to the Administrative Agent

for the account of the Lenders, unless otherwise agreed by the Required Lenders, as a mandatory prepayment of Loans (in the manner set forth below), a sum equal to the net proceeds received by the Borrower of such Private Placement Debt.

(g) Order of Application of Mandatory Prepayments. Any prepayment

pursuant to Sections 4.02(d) or (e) shall be applied first to the outstanding principal balance of the Acquisition Loans, and, upon payment in full thereof, then to the outstanding principal balance of the Swingline Loans, and upon payment in full thereof, then to the outstanding principal balance of the Working Capital Loans. Each such prepayment shall be accompanied by any amount required to be paid pursuant to Section 4.14.

(h) Voluntary Prepayments. The Borrower shall have the right,

without penalty or premium, to prepay the Working Capital Loans, the Acquisition Loans and the Swingline Loans, in whole or in part, at any time and from time to time after the Closing Date, subject, however, to the following terms and conditions: (1) the Borrower shall give the Administrative Agent (x) at least three (3) Business Days prior written notice of its intent to prepay any Libor Loan and (y) written notice prior to 11:00 a.m. on the date of the proposed prepayment of its intent to prepay any Base Rate Loan or Swing Line Loan; (2) such notice shall specify the

amount of the Loan to be prepaid, the type of Loan to be prepaid, and in the case of Libor Loans, the specific Libor Loans to which such prepayment is to apply; (3) each prepayment of a Libor Loan shall be in an amount of not less than \$2,000,000 and be a whole multiple of \$500,000 (unless the outstanding principal balance of such Loan is less than \$2,000,000, in which event such prepayment shall be an amount equal to such outstanding principal balance); (4) each prepayment of a Base Rate Loan shall be in an amount of not less than \$1,000,000 and be a whole multiple of \$500,000 (unless the outstanding principal balance of such Base Rate Loan is less than \$1,000,000, in which event such prepayment shall be an amount equal to such outstanding principal balance; and (5) each prepayment of a Swing Line Loan shall be an amount of not less than \$250,000 and a whole multiple of \$50,000 (unless the outstanding principal balance of such Swing Line Loan is less than \$250,000, in which event such prepayment shall be an amount equal to such outstanding principal balance). Each such prepayment shall be accompanied by any amount required to be paid pursuant to Section 4.14.

SECTION 4.03. Notes.

(a) Working Capital Notes. Each Lender's Working Capital Loans and the

obligation of the Borrower to repay such Working Capital Loans shall be evidenced by a separate Working Capital Note executed by the Borrower payable to the order of such Lender representing the Borrower's obligation to pay such Lender's Working Capital Commitment or, if less, the aggregate unpaid principal amount of all Working Capital Loans made and to be made by such Lender to the Borrower hereunder, plus interest and all other fees, charges and other amounts due thereon. Each Working Capital Note shall be dated the date hereof and shall bear interest on the unpaid principal amount thereof at the applicable interest rate per annum specified in Section 4.06.

(b) Acquisition Notes. Each Lender's Acquisition Loans and the

obligation of the Borrower to repay such Acquisition Loans shall be evidenced by an Acquisition Note executed by the Borrower payable to the order of such Lender representing the Borrower's obligation to pay such Lender's Acquisition Commitment or, if less, the aggregate unpaid principal amount of all Acquisition Loans made and to be made by such Lender to the Borrower hereunder, plus interest and all other fees, charges and other amounts due thereon. Each Acquisition Note shall be dated the date hereof and shall bear interest on the unpaid principal amount thereof at the applicable interest rate per annum specified in Section 4.06.

(c) Swingline Note. The Swingline Loans and the obligation of the

Borrower to repay such Swingline Loans shall be evidenced by the Swingline Note executed by the Borrower payable to the order of the Swingline Lender representing the Borrower's obligation to pay the Swingline Lender the aggregate unpaid principal amount of all Swingline Loans made and to be made by the Swingline Lender to the Borrower hereunder, plus interest and all other fees, charges and other amounts due thereon. The Swingline Note shall be dated the date hereof and shall bear interest on the unpaid principal amount thereof at the applicable interest rate specified in Section 4.06.

SECTION 4.04. Permanent Reduction of the Commitments.

(a) Voluntary Reduction. The Borrower shall have the right, without

penalty or premium, to permanently reduce all or a portion of the Working Capital Commitment or the Acquisition Commitment, at any time and from time to time after the Closing Date, subject, however, to the following terms and conditions: (1) the Borrower shall give the Administrative Agent at least three (3) Business Day prior written notice of its intent to reduce the Working Capital Commitment or the Acquisition Commitment, as applicable, and (2) each reduction shall be in an aggregate principal amount not less than \$1,000,000 or any whole multiple of \$500,000 in excess thereof.

(b) No Mandatory Reduction. Any mandatory prepayment of a Working

Capital Loan required to be made pursuant to Section 4.02 shall not cause the Working Capital Commitment to be reduced. Any mandatory prepayment of an Acquisition Loan required to be made pursuant to Section 4.02 shall not cause the Acquisition Commitment to be reduced.

(c) Repayment of Excess Loans. Each permanent reduction permitted

pursuant to Section 4.04(a), with respect to outstanding Working Capital Loans

and Swingline Loans and L/C Obligations, shall be accompanied by a payment of principal sufficient to reduce the aggregate outstanding Working Capital Loans and Swingline Loans, of the Lenders to the Working Capital Commitment as so reduced. If the Working Capital Commitment as so reduced (and after the application of the payment in the preceding sentence) is less than the aggregate amount of all outstanding L/C Obligations, the Borrower shall be required to deposit in a cash collateral account opened by the Administrative Agent an amount equal to the aggregate then undrawn and unexpired amount of such L/C Obligations. Each permanent reduction permitted pursuant to Section 4.04(a),

with respect to Acquisition Loans, shall be accompanied by a payment of principal sufficient to reduce the aggregate outstanding Acquisition Loans, to the Acquisition Commitment, as so reduced. If the reduction of the Working Capital Commitment or the Acquisition Commitment, as applicable, requires the repayment of any LIBOR Rate Loan, such repayment shall be accompanied by any amount required to be paid pursuant to Section 4.14.

SECTION 4.05. Termination of Credit Facilities.

The Credit Facilities shall terminate and each of the Working Capital Commitment, the Acquisition Commitment and the Swingline Commitment shall be automatically reduced to zero on the Termination Date.

SECTION 4.06. Interest.

(a) Interest Rate Options. Subject to the provisions of this Section

4.06, at the election of the Borrower, the aggregate unpaid principal balance of

(i) each Loan (other than Swingline Loans) shall bear interest at the Base Rate plus the Applicable Margin or the LIBOR Rate plus the Applicable Margin as set

forth below; provided that the LIBOR Rate shall not be available until three (3)

Business Days after the Closing Date, and (ii) each Swingline Loan shall bear interest at the Base Rate plus the Applicable Margin. The Borrower shall select

the rate of interest and Interest Period, if any, applicable to any LIBOR Rate Loan at the time a Notice of Borrowing is given pursuant to Section 4.01(a) or

at the time a Notice of Conversion/Continuation is given pursuant to Section

4.07. Each Loan (including Swingline

Loans) or portion thereof bearing interest based on the Base Rate shall be a "Base Rate Loan", and each Loan or portion thereof bearing interest based on the LIBOR Rate shall be a "LIBOR Rate Loan." Any Loan or any portion thereof as to which the Borrower has not duly specified an interest rate as provided herein shall be deemed a Base Rate Loan.

(b) Interest Periods. In connection with each LIBOR Rate Loan, the

Borrower, by giving notice at the times described in Section 4.06(a), shall

elect an interest period (each, an "Interest Period") to be applicable to such Loan, which Interest Period shall be a period of one (1), two (2), three (3), or six (6) months (or twelve (12) months, if available, and consented to by the Administrative Agent and the Lenders); provided that:

- (i) the Interest Period shall commence on the date of advance of or conversion to any LIBOR Rate Loan and, in the case of immediately successive Interest Periods, each successive Interest Period shall commence on the date on which the next preceding Interest Period expires;
- (ii) if any Interest Period would otherwise expire on a day that is not a Business Day, such Interest Period shall expire on the next succeeding Business Day; provided, that if any Interest Period with respect to a LIBOR Rate Loan would otherwise expire on a day that is not a Business Day but is a day of the month after which no further Business Day occurs in such month, such Interest Period shall expire on the next preceding Business Day;
- (iii) any Interest Period with respect to a LIBOR Rate Loan that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of the relevant calendar month at the end of such Interest Period;
- (iv) no Interest Period shall extend beyond the Termination Date; and
- (v) there shall be no more than eight (8) Interest Periods outstanding at any time.

(c) Default Rate. Subject to Section 11.03, upon the occurrence and

during the continuance of an Event of Default, (i) the Borrower shall no longer have the option to request LIBOR Rate Loans, (ii) all outstanding LIBOR Rate Loans shall bear interest at a rate per annum three percent (3%) in excess of the rate then applicable to LIBOR Rate Loans until the end of the applicable Interest Period and thereafter at a rate equal to three percent (3%) in excess of the rate then applicable to Base Rate Loans, (iii) all outstanding Swingline Loans shall bear interest at a rate per annum equal to three percent (3%) in excess of the rate then applicable to Swingline Loans and (iv) all outstanding Base Rate Loans shall bear interest at a rate per annum equal to three percent (3%) in excess of the rate then applicable to Base Rate Loans. Interest shall continue to accrue on the Notes after the filing by or against the Borrower

of any petition seeking any relief in bankruptcy or under any act or law pertaining to insolvency or debtor relief, whether state, federal or foreign.

(d) Interest Payment and Computation. Interest on each Base Rate Loan

shall be payable in arrears on the last Business Day of each calendar quarter commencing September 30, 2001; and interest on each LIBOR Rate Loan shall be payable on the last day of each Interest Period applicable thereto, and if such Interest Period extends over three (3) months, at the end of each three (3) month interval during such Interest Period. All interest rates, fees and commissions provided hereunder shall be computed on the basis of a 360-day year and assessed for the actual number of days elapsed; provided, however, that

interest on each Base Rate Loan that is based on the Prime Rate shall be computed on the basis of a 365-day or 366-day year, as applicable, and assessed for the actual number of days elapsed.

(e) Maximum Rate. In no contingency or event whatsoever shall the

aggregate of all amounts deemed interest hereunder or under any of the Notes charged or collected pursuant to the terms of this Agreement or pursuant to any of the Notes exceed the highest rate permissible under any Applicable Law which a court of competent jurisdiction shall, in a final determination, deem applicable hereto. In the event that such a court determines that the Lenders have charged or received interest hereunder in excess of the highest applicable rate, the rate in effect hereunder shall automatically be reduced to the maximum rate permitted by Applicable Law and the Lenders shall at the Administrative Agent's option promptly refund to the Borrower any interest received by Lenders in excess of the maximum lawful rate or shall apply such excess to the principal balance of the Obligations. It is the intent hereof that the Borrower not pay or contract to pay, and that neither the Administrative Agent nor any Lender receive or contract to receive, directly or indirectly in any manner whatsoever, interest in excess of that which may be paid by the Borrower under Applicable Law.

SECTION 4.07. Notice and Manner of Conversion or Continuation of Loans.

Provided that no Event of Default has occurred and is then continuing, the Borrower shall have the option to (a) convert at any time all or any portion of its outstanding Base Rate Loans in a principal amount equal to \$2,000,000 or any whole multiple of \$500,000 in excess thereof into a LIBOR Rate Loan or (b) upon the expiration of any Interest Period, (i) convert all or any part of its outstanding LIBOR Rate Loans in a principal amount equal to \$1,000,000 or a whole multiple of \$500,000 in excess thereof into Base Rate Loans or (ii) continue such LIBOR Rate Loans as LIBOR Rate Loans. Whenever the Borrower desires to convert or continue Loans as provided above, the Borrower shall give the Administrative Agent irrevocable prior written notice in the form attached as Exhibit D (a "Notice of Conversion/Continuation") not later than 11:00 a.m.

(Charlotte time) three (3) Business Days before the day on which a proposed conversion or continuation of such Loan is to be effective specifying (A) the Loans to be converted or continued, and, in the case of any LIBOR Rate Loan to be converted or continued, the last day of the Interest Period therefor, (B) the effective date of such conversion or continuation (which date shall be a Business Day), (C) the principal amount of such Loans to be converted or continued, and (D) the Interest Period to be applicable to such converted or continued LIBOR Rate Loan. If a LIBOR Rate Loan is not converted or continued as a new Libor Rate Loan as provided in this Section, such LIBOR Rate Loan shall in the last day of the

applicable Interested Period be converted into a Base Rate Loan. The Administrative Agent shall promptly notify the Lenders of such Notice of Conversion/Continuation.

SECTION 4.08. Fees.

(a) Unused Line Fee. The Borrower agrees to pay to the Administrative

Agent for the account of the Lenders, on the last Business Day of each quarter for the immediately preceding quarter and on the Termination Date, a fee (the "Unused Line Fee") equal to (a) the Applicable Margin, as in effect on such day, times (b) the difference between (1) the Commitments, and (2) the Average Quarterly Loan Balance for such preceding quarter. If, during any quarter, this Agreement is terminated on a date other than the last Business Day of such quarter, then the Unused Line Fee shall be pro-rated for such quarter on a daily basis.

(b) Administrative Agent's and Other Fees. To compensate the

Administrative Agent, the Borrower agrees to pay to the Administrative Agent, for its account, the fees set forth in the separate fee letter dated May 16, 2001, executed by the Borrower and the Administrative Agent.

SECTION 4.09. Manner of Payment.

Each payment by the Borrower on account of the principal of or interest on the Loans or of any fee, commission or other amounts payable to the Lenders under this Agreement or any Note shall be made not later than 1:00 p.m. (Charlotte time) on the date specified for payment under this Agreement to the Administrative Agent at the Administrative Agent's office for the account of the Lenders (other than as set forth below) pro rata in accordance with their

respective applicable Commitment Percentages, in Dollars, in immediately available funds and shall be made without any set-off, counterclaim or deduction whatsoever. Any payment received after such time but before 2:00 p.m. (Charlotte time) on such day shall be deemed a payment on such date for the purposes of Section 11.01, but for all other purposes shall be deemed to have been made on

the next succeeding Business Day. Any payment received after 2:00 p.m. (Charlotte time) shall be deemed to have been made on the next succeeding Business Day for all purposes. Upon receipt by the Administrative Agent of each such payment, the Administrative Agent shall distribute to each Lender at its address for notices set forth herein its pro rata share of such payment in

accordance with such Lender's applicable Commitment Percentage and shall wire advice of the amount of such credit to each Lender. Each payment to the Administrative Agent of Administrative Agent's fees or expenses shall be made for the account of the Administrative Agent and any amount payable to any Lender under Sections 4.13, 4.14, 4.15, 4.16 or 13.02 shall be paid to the

Administrative Agent for the account of the applicable Lender. Any payment required to be made under Section 4.02 that is due on a date that is not a

Business Day shall be due on the next Business Day.

SECTION 4.10. Crediting of Payments and Proceeds.

In the event that the Borrower shall fail to pay any of the Obligations when due and the Obligations have been accelerated pursuant to Section 11.02,

all payments received by the Lenders upon the Notes and the other Obligations and all net proceeds from the enforcement of the Obligations shall be applied first to all expenses then due and payable by the Borrower

hereunder, then to all indemnity obligations then due and payable by the Borrower hereunder, then to all Administrative Agent's fees then due and payable, then to all fees and commissions then due and payable, then to accrued and unpaid interest on the Swingline Note to the Swingline Lender, then to the unpaid principal amount outstanding under the Swingline Note to the Swingline Lender, then to accrued and unpaid interest on the Working Capital Notes, the Acquisition Notes and the Reimbursement Obligation (pro rata in accordance with all such amounts due), then to the principal amount of the Working Capital Notes, the Acquisition Notes, the Reimbursement Obligations and obligations under Hedging Agreements (pro rata in accordance with all such amounts due) and then to the cash collateral account described in Section 11.02(b) to the extent

of any L/C Obligations then outstanding, in that order.

SECTION 4.11. Adjustments.

If any Lender (a "Benefited Lender") shall at any time receive any payment of all or part of the Obligations owing to it, or interest thereon, or if any Lender shall at any time receive any collateral in respect to the Obligations owing to it (whether voluntarily or involuntarily, by set-off or otherwise) in a greater proportion than any such payment to and collateral received by any other Lender, if any, in respect of the Obligations owing to such other Lender, or interest thereon, such Benefited Lender shall purchase for cash from the other Lenders such portion of each such other Lender's Extensions of Credit, or shall provide such other Lenders with the benefits of any such collateral, or the proceeds thereof, as shall be necessary to cause such Benefited Lender to share the excess payment or benefits of such collateral or proceeds ratably with each of the Lenders; provided, that if all or any portion of such excess payment or

benefits is thereafter recovered from such Benefited Lender, such purchase shall be rescinded, and the purchase price and benefits returned to the extent of such recovery, but without interest. The Borrower agrees that each Lender so purchasing a portion of another Lender's Extensions of Credit may exercise all rights of payment (including, without limitation, rights of set-off) with respect to such portion as fully as if such Lender were the direct holder of such portion.

SECTION 4.12. Nature of Obligations of Lenders Regarding Extensions of

Credit; Assumption by the Administrative Agent.

The obligations of the Lenders under this Agreement to make the Loans and issue or participate in Letters of Credit are several and are not joint or joint and several. Unless the Administrative Agent shall have received notice from a Lender prior to a proposed borrowing date that such Lender will not make available to the Administrative Agent such Lender's ratable portion of the amount to be borrowed on such date (which notice shall not release such Lender of its obligations hereunder), the Administrative Agent may assume that such Lender has made such portion available to the Administrative Agent on the proposed borrowing date in accordance with Section 4.01(b) and the

Administrative Agent may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If such amount is made available to the Administrative Agent on a date after such borrowing date, such Lender shall pay to the Administrative Agent on demand an amount, until paid, equal to the product of (a) the amount not made available by such Lender in accordance with the terms hereof, times (b) the daily average Federal Funds Rate

(or, if such amount is not made available for a period of three (3) Business Days after the borrowing date, the Base Rate) during such period as determined by the Administrative Agent, times (c) a fraction the numerator of which is

the number of days that elapse from and including such borrowing date to the date on which such amount not made available by such Lender in accordance with the terms hereof shall have become immediately available to the Administrative Agent and the denominator of which is 360. A certificate of the Administrative Agent with respect to any amounts owing under this Section 4.12 shall be

conclusive, absent manifest error. If such Lender's Commitment Percentage of such borrowing is not made available to the Administrative Agent by such Lender within three (3) Business Days of such borrowing date, the Administrative Agent shall be entitled to recover such amount made available by the Administrative Agent with interest thereon at the rate per annum applicable to Base Rate Loans hereunder, on demand, from the Borrower. The failure of any Lender to make available its Commitment Percentage of any Loan requested by the Borrower shall not relieve it or any other Lender of its obligation, if any, hereunder to make its Commitment Percentage of such Loan available on such borrowing date, but no Lender shall be responsible for the failure of any other Lender to make its Commitment Percentage of such Loan available on the borrowing date.

SECTION 4.13. Changed Circumstances; Laws Affecting LIBOR Rate

Availability, Etc.

(a) Changed Circumstances. If, with respect to any Interest Period, the

Administrative Agent or any Lender (after consultation with Administrative Agent) shall determine that, by reason of circumstances affecting the foreign exchange and interbank markets generally, deposits in eurodollars, in the applicable amounts are not being quoted via Telerate Page 3750 or offered to the

Administrative Agent or such Lender for such Interest Period, then the Administrative Agent shall forthwith give notice thereof to the Borrower. Thereafter, until the Administrative Agent notifies the Borrower that such circumstances no longer exist, the obligation of the Lenders to make LIBOR Rate Loans and the right of the Borrower to convert any Loan to or continue any Loan as a LIBOR Rate Loan shall be suspended, and the Borrower shall repay in full (or cause to be repaid in full) the then outstanding principal amount of each such LIBOR Rate Loans together with accrued interest thereon, on the last day of the then current Interest Period applicable to such LIBOR Rate Loan or convert the then outstanding principal amount of each such LIBOR Rate Loan to a Base Rate Loan as of the last day of such Interest Period.

(b) Laws Affecting LIBOR Rate Availability. If, after the date hereof,

the introduction of, or any change in, any Applicable Law 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 by any Lender (or any of their respective Lending Offices) with any request or directive (whether or not having the force of law) of any such Authority, central bank or comparable agency, shall make it unlawful or impossible for any of the Lenders (or any of their respective Lending Offices) to honor its obligations hereunder to make or maintain any LIBOR Rate Loan, such Lender shall promptly give notice thereof to the Administrative Agent and the Administrative Agent shall promptly give notice to the Borrower and the other Lenders. Thereafter, until the Administrative Agent notifies the Borrower that such circumstances no longer exist, (i) the obligations of the Lenders to make LIBOR Rate Loans and the right of the Borrower to convert any Loan or continue any Loan as a LIBOR Rate Loan shall be suspended and thereafter the Borrower may select only Base Rate Loans hereunder, and (ii) if any of the Lenders may not lawfully continue to

maintain a LIBOR Rate Loan to the end of the then current Interest Period applicable thereto as a LIBOR Rate Loan, the applicable LIBOR Rate Loan shall immediately be converted to a Base Rate Loan for the remainder of such Interest Period.

(c) Increased Costs. If, after the date hereof, the introduction of, or

any change in, any Applicable Law, or in the interpretation or administration thereof by any Governmental Authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any of the Lenders (or any of their respective Lending Offices) with any request or directive (whether or not having the force of law) of such Governmental Authority, central bank or comparable agency:

- (i) shall subject any of the Lenders (or any of their respective Lending Offices) to any tax, duty or other charge with respect to any Note, Letter of Credit or Application or shall change the basis of taxation of payments to any of the Lenders (or any of their respective Lending Offices) of the principal of or interest on any Note, Letter of Credit or Application or any other amounts due under this Agreement in respect thereof (except for changes in the rate of tax on the overall net income of any of the Lenders or any of their respective Lending Offices imposed by the jurisdiction in which such Lender is organized or is or should be qualified to do business or such Lending Office is located); or
- (ii) shall impose, modify or deem applicable any reserve (including, without limitation, any imposed by the Board of Governors of the Federal Reserve System), special deposit, insurance or capital or similar requirement against assets of, deposits with or for the account of, or credit extended by any of the Lenders (or any of their respective Lending Offices) or shall impose on any of the Lenders (or any of their respective Lending Offices) or the foreign exchange and interbank markets any other condition affecting any Note;

and the result of any of the foregoing is to increase the costs to any of the Lenders of making or maintaining any Loan or issuing or participating in Letters of Credit or to reduce the yield or amount of any sum received or receivable by any of the Lenders under this Agreement or under the Notes or Letters of Credit or Application, then such Lender shall promptly notify the Administrative Agent, and the Administrative Agent shall promptly notify the Borrower of such fact and demand compensation therefor and, within ten (10) Business Days after such notice by the Administrative Agent, the Borrower shall pay to such Lender such additional amount or amounts as will compensate such Lender or Lenders for such increased cost or reduction. The Administrative Agent will promptly notify the Borrower of any event of which it has knowledge which will entitle such Lender to compensation pursuant to this Section 4.13(c); provided, that the

Administrative Agent shall incur no liability whatsoever to the Lenders or the Borrower in the event it fails to do so. The amount of such compensation shall be determined, in the applicable Lender's sole discretion, based upon the assumption that such Lender funded its Commitment Percentage of the LIBOR Rate Loans in the London interbank market and using any reasonable attribution or averaging methods which such Lender deems appropriate and practical. A certificate of such Lender setting forth the basis for determining such amount or

amounts necessary to compensate such Lender shall be forwarded to the Borrower through the Administrative Agent and shall be conclusively presumed to be correct save for manifest error.

SECTION 4.14. Indemnity.

The Borrower hereby indemnifies each of the Lenders against any loss or expense which may arise or be attributable to each Lender's obtaining, liquidating or employing deposits or other funds acquired to effect, fund or maintain any Loan (a) as a consequence of any failure by the Borrower to make any payment when due of any amount due hereunder in connection with a LIBOR Rate Loan, (b) due to any failure of the Borrower to borrow on a date specified therefor in a Notice of Borrowing or Notice of Continuation/Conversion or (c) due to any payment, prepayment or conversion of any LIBOR Rate Loan on a date other than the last day of the Interest Period therefor. The amount of such loss or expense shall be determined, in the applicable Lender's sole discretion, based upon the assumption that such Lender funded its Commitment Percentage of the LIBOR Rate Loans in the London interbank market and using any reasonable attribution or averaging methods that such Lender deems appropriate and practical. A certificate of such Lender setting forth the basis for determining such amount or amounts necessary to compensate such Lender shall be forwarded to the Borrower through the Administrative Agent and shall be conclusively presumed to be correct save for manifest error.

SECTION 4.15. Capital Requirements.

If either (a) the introduction of, or any change in, or in the interpretation of, any Applicable Law or (b) compliance with any guideline or request from any central bank or comparable agency or other Governmental Authority (whether or not having the force of law), has or would have the effect of reducing the rate of return on the capital of, or has affected or would affect the amount of capital required to be maintained by, any Lender or any corporation controlling such Lender as a consequence of, or with reference to the Commitments and other commitments of this type, below the rate which the Lender or such other corporation could have achieved but for such introduction, change or compliance, then within ten (10) Business Days after written demand by any such Lender, the Borrower shall pay to such Lender from time to time as specified by such Lender additional amounts sufficient to compensate such Lender or other corporation for such reduction. A certificate as to such amounts submitted to the Borrower and the Administrative Agent by such Lender, shall be conclusively presumed to be correct save for manifest error.

SECTION 4.16. Taxes.

(a) Payments Free and Clear. Any and all payments by the Borrower

hereunder or under the Notes or the Letters of Credit shall be made free and clear of and without deduction for any and all present or future taxes, levies, imposts, deductions, charges or withholding, and all liabilities with respect thereto excluding, (i) in the case of each Lender and the Administrative Agent, income and franchise taxes imposed by the jurisdiction under the laws of which such Lender or the Administrative Agent (as the case may be) is organized or is or should be qualified to do business or any political subdivision thereof and (ii) in the case of each Lender, income and franchise taxes imposed by the jurisdiction of such Lender's Lending Office or any political subdivision thereof (all such non-excluded taxes, levies, imposts,

deductions, charges, withholdings and liabilities being hereinafter referred to as "Taxes"). If the Borrower shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder or under any Note or Letter of Credit to any Lender or the Administrative Agent, (A) the sum payable shall be increased as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section

4.16) such Lender or the Administrative Agent (as the case may be) receives an

amount equal to the amount such party would have received had no such deductions been made, (B) the Borrower shall make such deductions, (C) the Borrower shall pay the full amount deducted to the relevant taxing authority or other authority in accordance with applicable law, and (D) the Borrower shall deliver to the Administrative Agent evidence of such payment to the relevant taxing authority or other authority in the manner provided in Section 4.16(d). Any Lender for

which any such payment shall have been made shall promptly remit to the Borrower the amount of any excess benefit such Lender receives by reason of such payment.

(b) Stamp and Other Taxes. In addition, the Borrower shall pay any

present or future stamp, registration, recordation or documentary taxes or any other similar fees or charges or excise or property taxes, levies of the United States or any state or political subdivision thereof or any applicable foreign jurisdiction which arise from any payment made hereunder or from the execution, delivery or registration of, or otherwise with respect to, this Agreement, the Loans, the Letters of Credit, the other Credit Documents, or the perfection of any rights or security interest in respect thereto (hereinafter referred to as "Other Taxes").

(c) Indemnity. The Borrower shall indemnify each Lender and the

Administrative Agent for the full amount of Taxes and Other Taxes (including, without limitation, any Taxes and Other Taxes imposed by any jurisdiction on amounts payable under this Section 4.16) paid by such Lender or the

Administrative Agent (as the case may be) and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted. Such indemnification shall be made within thirty (30) days from the date such Lender or the Administrative Agent (as the case may be) makes written demand therefor.

(d) Evidence of Payment. Within thirty (30) days after the date of any

payment of Taxes or Other Taxes, the Borrower shall furnish to the Administrative Agent, at its address referred to in Section 13.01, the original

or a certified copy of a receipt evidencing payment thereof or other evidence of payment satisfactory to the Administrative Agent.

(e) Delivery of Tax Forms. Each Lender organized under the laws of a

jurisdiction other than the United States or any state thereof shall deliver to the Borrower, with a copy to the Administrative Agent, on the Closing Date or concurrently with the delivery of the relevant Assignment and Acceptance, as applicable, (i) two United States Internal Revenue Service Forms 4224 or Forms 1001, as applicable (or successor forms) properly completed and certifying in each case that such Lender is entitled to a complete exemption from withholding or deduction for or on account of any United States federal income taxes, and (ii) an Internal Revenue Service Form W-8 or W-9 or successor applicable form, as the

case may be, to establish an exemption from United States backup withholding taxes. Each such Lender further agrees to deliver to the Borrower, with a copy to the Administrative Agent, a Form 1001 or 4224 and Form W-8 or W-9, or successor applicable forms or manner of certification, as the case may be, on or before the date that any such form expires or becomes obsolete or after the occurrence of any event requiring a change in the most recent form previously delivered by it to the Borrower, certifying in the case of a Form 1001 or 4224 that such Lender is entitled to receive payments under this Agreement without deduction or withholding of any United States federal income taxes (unless in any such case an event (including without limitation any change in treaty, law or regulation) has occurred prior to the date on which any such delivery would otherwise be required which renders such forms inapplicable or the exemption to which such forms relate unavailable and such Lender notifies the Borrower and the Administrative Agent that it is not entitled to receive payments without deduction or withholding of United States federal income taxes) and, in the case of a Form W-8 or W-9, establishing an exemption from United States backup withholding tax. The Borrower shall not be required to pay any additional amount to any non-U.S. Lender in respect of United States withholding tax pursuant to Section 4.16(a) to the extent that the obligation to withhold such tax existed

at the time such non-U.S. Lender became a Lender hereunder, unless such obligation would not have arisen but for a failure by such non-U.S. Lender to deliver the documents referred to in this Section 4.16(e).

(f) Survival. Without prejudice to the survival of any other agreement

of the Borrower hereunder, the agreements and obligations of the Borrower contained in this Section 4.16 shall survive the payment in full of the Obligations and the termination of the Commitments.

SECTION 4.17. Duty to Mitigate; Assignment of Commitments Under Certain

Circumstances.

(a) Any Lender (or Eligible Assignee) claiming any additional amounts payable pursuant to Sections 4.13, 4.14 or 4.16, shall use reasonable efforts

(consistent with legal and regulatory restrictions) to file any certificate or document requested by the Borrower or to change the jurisdiction of its applicable lending office if the making of such a filing or change would avoid the need for or reduce the amount of any such additional amounts which may thereafter accrue or avoid the circumstances giving rise to such exercise and would not, in the sole determination of such Lender (or Eligible Assignee), be otherwise disadvantageous to such Lender (or Eligible Assignee).

(b) In the event that any Lender shall have delivered a notice pursuant to Section 4.13 or 4.15 or the Borrower shall be required to make additional

payments to any Lender under Section 4.16, the Borrower shall have the right, at

its expense (which shall include the assignment fee referred to in Section

13.10), upon notice to such Lender and the Administrative Agent, to require such

Lender to transfer and assign without recourse (in accordance with and subject to the restrictions contained in Section 13.10) all interests, rights and

obligations contained hereunder to another financial institution (including any other Lender) approved by the Administrative Agent (which approval shall not be unreasonably withheld) which shall assume such obligations; provided that (i) no

such assignment shall conflict with any law, rule or regulation or order of any Governmental Authority and (ii) the assignee or the Borrower, as the case may be, shall pay to the affected Lender in immediately available funds on the date of such assignment the principal of and interest accrued to the date of payment on, or transfer of, the Loans made by it hereunder and all other amounts accrued for its account or owed to it

hereunder (including the additional amounts asserted and payable pursuant to Sections 4.13, 4.15 or 4.16, if any).

ARTICLE V

CLOSING; CONDITIONS OF CLOSING AND BORROWING

SECTION 5.01. Closing.

The closing shall take place at the offices of Parker, Poe, Adams & Bernstein L.L.P., Charlotte, North Carolina at 9:00 a.m. (or at such other time and place as the parties hereto shall mutually agree) on the Closing Date.

SECTION 5.02. Credit Documents and Conditions Precedent.

Notwithstanding anything herein or in the other Credit Documents to the contrary, this Agreement shall not become effective and the Lenders and the Issuing Bank shall not be obligated to make the initial Extension of Credit under this Agreement until:

(a) Credit Documents. The Administrative Agent shall have received the

following documents, duly executed and delivered by all parties thereto (including any party who signs to evidence its consent or acknowledgment thereto), if applicable, and otherwise satisfactory in form and content to the Administrative Agent on or prior to August 3, 2001:

(i) Credit Agreement. This Agreement;

(ii) Notes. The Notes;

(iii) Security Agreements. The Security Agreements;

(iv) Guaranty Agreements. The Guaranty Agreements;

(v) Pledge Agreements. The Pledge Agreements;

(vi) UCC Financing Statements. UCC-1 or similar financing statements from each Credit Party, as debtor, to the Administrative Agent, as secured party, covering the Collateral, filed, or to be filed, in the respective jurisdictions listed on Schedule 8.10 hereto, and such other jurisdictions as the Administrative Agent deems necessary or desirable to perfect its security interest in the Collateral;

(vii) Mortgage Documents. The Mortgages and such UCC fixture financing statements and like real property security documents as the Administrative Agent deems necessary or desirable to create, perfect and preserve a Lien in favor of the Administrative Agent, as security for the Obligations, on all real property listed on Schedule 6.01(s) hereto owned in fee by the Borrower;

- (viii) Title Insurance. Fully paid mortgagee title insurance

 policies, endorsed to be effective no later than the Effective Date, in standard ALTA form, issued by a title insurance company satisfactory to the Administrative Agent, each in an amount equal to not less than the fair market value of the properties encumbered by the respective Mortgages and insuring the validity and priority of the mortgage Liens thereon in favor of the Administrative Agent for the benefit of the Lenders, with no exceptions (including survey exceptions) which the Administrative Agent shall not have approved in writing and with such endorsements thereto as the Administrative Agent shall deem necessary or desirable, in its reasonable determination, to protect its interest in such property or its rights and remedies under the Credit Documents;
- (ix) Surveys. If required by the Administrative Agent, a survey

 with respect to each parcel of real property comprising a part of the Collateral, which survey shall include an accurate metes and bounds or lot, block and parcel description of such property otherwise satisfactory to the Administrative Agent in all respects;
- (x) Certificates of Title. Vehicle certificates of title, issued

 by the appropriate state governmental authorities acknowledging the Administrative Agent's perfected, first priority Lien on all vehicles listed on Part 2 of Schedule

 6.01(s) hereto, subject to no other Liens noted on such

 certificates;
- (xi) Insurance. Copies of each Credit Party's property damage

 insurance policies, together with loss payable endorsements which are acceptable to the Administrative Agent and which name the Administrative Agent as sole loss payee thereunder, and copies of each Credit Party's liability insurance policies, together with endorsements naming the Administrative Agent as an additional named insured thereunder;
- (xii) Loan Disbursement Instructions. Written instructions from the

 Credit Parties to the Administrative Agent directing the application of proceeds of the initial Loan made pursuant to this Agreement; and
- (xiii) Opinion of Credit Parties' Counsel. The favorable written

 opinion of Stinson, Mag & Fizzell, P.C., counsel to the Credit Parties, to the Administrative Agent regarding the Credit Parties, the Credit Documents and the transactions contemplated by the Credit Documents, substantially in the form of Exhibit L hereto.

(b) Conditions Precedent. The satisfaction, in the Administrative

 Agent's sole judgment, of each of the following conditions precedent:

- (i) President's Certificate. Receipt by the Administrative Agent

 of (A) a certificate of the president of each of the Credit Parties, as applicable, dated the Effective Date and certifying with respect to each applicable

Credit Party, (1) that attached thereto is a true and complete copy of the articles of incorporation, articles of organization or certificate of partnership, as applicable, and all amendments thereto of each of them, certified as of a recent date by the appropriate Governmental Authority in its jurisdiction of organization, (2) that attached thereto is a true and complete copy of the operating agreement, by-laws, partnership or equivalent document, as applicable, of each applicable Credit Party in effect on the Effective Date and at all times since a date prior to the date of the resolutions described in clause (3) below, (3) that attached thereto is a true and complete copy of resolutions or consents, as applicable, duly adopted by the respective governing boards of each applicable Credit Party authorizing, as applicable, the execution, delivery and performance of the Credit Documents to which it is party and, in the case of the Borrower, the borrowings hereunder, and that such resolutions have not been modified, rescinded or amended and are in full force and effect, (4) that the organizational documents of each applicable Credit Party have not been amended since the date of the last amendment thereto shown on the certificate of good standing attached thereto and (5) as to the incumbency and specimen signature of each officer executing any Credit Document or any other document delivered in connection herewith on its behalf; and (B) a certificate of another officer as to the incumbency and specimen signature of such president executing the certificate pursuant to (A) above;

(ii) Officer's Certificate. Receipt by the Administrative Agent of -----
a certificate from the chief executive officer or chief financial officer of each Credit Party, as applicable, in form and substance satisfactory to the Administrative Agent, to the effect that all representations and warranties of each Credit Party contained in this Agreement and the other Credit Documents are true, correct and complete; that the applicable Credit Party is not in violation of any of the covenants contained in this Agreement and the other Credit Documents; that, after giving effect to the transactions contemplated by this Agreement, no Default or Event of Default has occurred and is continuing; and that the applicable Credit Party has satisfied each of the conditions precedent set forth in this Section 5.02;

(iii) Material Adverse Change. Since each of the dates of the -----
financial statements referred to in Sections 5.02(b)(vi), -----
there shall not have occurred any material adverse change in the business, financial condition or results of operations of Energy, L.P., the Borrower or the Borrower and its Subsidiaries taken as a whole, or the existence or value of any Collateral or any other event, condition or state of facts which would reasonably be expected to materially and adversely affect the actual or prospective business, financial condition or operations of Energy, L.P., the Borrower or the Borrower and its Subsidiaries taken as a whole;

(iv) Proceedings. No action, proceeding, investigation, regulation -----
or legislation shall have been instituted, threatened or proposed before any court,

government agency or legislative body to enjoin, restrain or prohibit, or to obtain damages in respect of, or which is related to or arises out of this Agreement or the other Credit Documents or the consummation of the transactions contemplated hereby or thereby or which, in the Administrative Agent's reasonable determination, would prohibit the making of the Loans or the issuances of Letters of Credit or could reasonably be expected to result in any such prohibition or have a material adverse effect on Inergy, L.P., the Borrower or the Borrower and its Subsidiaries taken as a whole;

- (v) Fees. The Credit Parties, as applicable, shall have paid to -----
the Administrative Agent and the Lenders the fees set forth or referenced in this Agreement and any other accrued and unpaid fees, expenses or commissions due hereunder (including, without limitation, legal fees and expenses of counsel to the Administrative Agent), and to any other Person such amount as may be due thereto in connection with the transactions contemplated hereby, including all taxes, fees and other charges in connection with the execution, delivery, recording, filing and registration of any of the Credit Documents;
- (vi) Good Standing Certificates. Receipt by the Administrative -----
Agent of a certificate of good standing for each Credit Party, as applicable, dated on or immediately prior to the Closing Date, from the Secretary of State of the state of organization of the applicable Credit Party and from all states in which the applicable Credit Party is required to obtain a certificate of good standing or like certificate due to the nature of its operations in such state;
- (vii) Financial Statements. Receipt by the Administrative Agent of -----
(A) proforma financial statements as of March 31, 2001 giving effect to the Restructuring, which demonstrate, in the Administrative Agent's reasonable judgment, together with all other information then available to the Administrative Agent, that the Borrower can repay its debts and satisfy its other obligations as and when they become due, and can comply with the financial covenants contained in this Agreement, (B) such information as the Administrative Agent may reasonably request to confirm the tax, legal, and business assumptions made in such proforma financial statements, (C) unaudited consolidated financial statements of Inergy Partners and its Consolidated Subsidiaries for the fiscal quarter ended March 31, 2001 and (D) such other information as the Administrative Agent, or the Lenders, through the Administrative Agent, may reasonably request;
- (viii) Solvency Certificate. Receipt by the Administrative Agent of a -----
certificate, in form and substance satisfactory to the Administrative Agent, certified as accurate by the chief executive officer or chief financial officer of each Credit Party, as applicable, that the applicable Credit Party is Solvent;

- (ix) Consents. Receipt by the Administrative Agent of a written

representation from the Borrower that (i) all governmental, shareholder, member, partner and third party consents and approvals necessary or, in the reasonable opinion of the Administrative Agent, desirable in connection with the transactions contemplated hereby have been received and are in full force and effect and (ii) no condition or requirement of law exists which could reasonably be likely to restrain, prevent or impose any material adverse condition on the transactions contemplated hereby;
- (x) Consummation of Restructuring. The Restructuring shall have

been consummated;
- (xi) Proceeds Received in Connection with Restructuring.

Simultaneously with the initial Extension of Credit, the Borrower shall receive net proceeds of not less than \$25,000,000 (after deduction of reasonable and customary costs and expenses incurred in connection with the Restructuring and the consummation of the transactions contemplated hereby) from the issuance by Inergy, L.P. of common units of Capital Stock to the public. The net proceeds shall be applied as follows: (i) first, to repayment in full of the Hoosier Subordinated Debt and (ii) the balance to prepayment of the outstanding Acquisition Loans;
- (xii) Notice of Borrowing. Receipt by the Administrative Agent of a

Notice of Borrowing from the Borrower in accordance with Section 4.01(a), and a Notice of Account Designation

specifying the account or accounts to which the proceeds of any Loans made after the Effective Date are to be disbursed;
- (xiii) No Default; Representations and Warranties. As of the

Effective Date (i) there shall exist no Default or Event of Default and (ii) all representations and warranties contained herein and in the other Credit Documents shall be true and correct in all material respects; and
- (xiv) Other. Receipt by the Administrative Agent of all opinions,

certificates and other instruments in connection with the transactions contemplated by this Agreement satisfactory in form and substance to the Lenders. The Lenders shall have received copies of all other instruments and such other evidence as the Lenders may reasonably request, in form and substance satisfactory to the Lenders, with respect to the transactions contemplated by this Agreement and the taking of all actions in connection therewith.

SECTION 5.03. Conditions Precedent to All Extensions of Credit.

The obligation of the Lenders and the Issuing Bank to make each Extension of Credit under this Agreement (including, without limitation, the initial Extension of Credit) shall be subject to the further conditions precedent that, on the date of each such Extension of Credit:

(a) Continuation of Representations and Warranties. The representations

and warranties contained in Article VI or otherwise made by the Credit Parties in any Credit Document shall be true and correct, in all material respects, on and as of such borrowing or issuance date with the same effect as if made on and as of such date.

(b) No Existing Default. No Default or Event of Default shall have

occurred and be continuing hereunder (i) on the borrowing date with respect to such Loan or after giving effect to the Loans to be made on such date or (ii) on the issue date with respect to such Letter of Credit or after giving affect to such Letters of Credit on such date.

(c) Officer's Compliance Certificate; Additional Documents. The

Administrative Agent shall have received the current Officer's Compliance Certificate and each additional document, instrument, legal opinion or other item of information reasonably requested by it.

(d) Other. The Administrative Agent shall have received such other

approvals, opinions or documents as it may reasonably request.

ARTICLE VI

REPRESENTATIONS AND WARRANTIES OF THE BORROWER

SECTION 6.01. Representations and Warranties.

To induce the Administrative Agent and the Lenders to enter into this Agreement and the other Credit Documents and to induce the Lenders to make the Extensions of Credit, the Borrower hereby represents and warrants to the Administrative Agent and the Lenders both before and after giving effect to the transactions contemplated hereunder that:

(a) Organization; Power; Qualification.

- (i) Each Credit Party is duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or formation, has the power and authority to own its properties and to carry on its business as now being and hereafter proposed to be conducted and is duly qualified and authorized to do business in each jurisdiction in which the character of its properties or the nature of its business requires such qualification and authorization, except where the failure to so qualify would not have a Material Adverse Effect. The jurisdictions of formation and the jurisdictions in which Inergy, L.P., the Borrower and each Subsidiary of the Borrower is organized and qualified to do business are described on Part 1 of Schedule 6.01(a) hereto.

(ii) Each Subsidiary of the Borrower is listed on Part 2 of Schedule 6.01(a) hereto.

(b) Ownership.

(i) The capitalization of [Inergy, L.P.,] the Borrower and each Subsidiary of the Borrower consists of the Capital Stock, authorized, issued and outstanding, of such classes and series, with or without par value, described on Schedule 6.01(b) hereto. All such outstanding Capital

Stock has been duly authorized and validly issued and are fully paid and nonassessable.

(ii) The owners of the Capital Stock of Inergy, L.P., the Borrower and each Subsidiary of the Borrower and the percentage of Capital Stock owned by each are described on Schedule 6.01(b) hereto.

(iii) There are no outstanding warrants, subscriptions, options, securities, instruments or other rights of any type or nature whatsoever, which are convertible into, exchangeable for or otherwise provide for or permit the issuance of, Capital Stock of the Borrower or any Subsidiary of the Borrower or are otherwise exercisable by any Person.

(c) Authorization of Agreement, Credit Documents and Borrowing. Each of

the Credit Parties has the right, power and authority and has taken all necessary corporate and other action to authorize the execution, delivery and performance of this Agreement and each of the other Credit Documents to which it is a party in accordance with their respective terms. This Agreement and each of the other Credit Documents have been duly executed and delivered by the duly authorized officers of each Credit Party thereto, and each such Credit Document constitutes the legal, valid and binding obligation of the Credit Party thereto, enforceable in accordance with its terms, except as such enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar state or federal debtor relief laws from time to time in effect which affect the enforcement of creditors' rights in general and the availability of equitable remedies.

(d) Compliance of Agreement, Credit Documents and Borrowing with Laws,

Etc. The execution, delivery and performance by the Credit Parties of the Credit

Documents to which each such Person is a party, in accordance with their respective terms, the borrowings hereunder and the transactions contemplated hereby and under the other Credit Documents do not and will not, by the passage of time, the giving of notice or otherwise, (i) require any Governmental Approval or violate any Applicable Law relating to any Credit Party, (ii) conflict with, result in a breach of or constitute a default under the articles of incorporation, bylaws or other organizational documents of any Credit Party or any indenture, agreement or other instrument to which such Person is a party or by which any of its properties may be bound or any Governmental Approval relating to such Person, or (iii) result in or require the creation or imposition of any Lien upon or with respect to any property now owned or hereafter acquired by such Person other than Liens arising under the Credit Documents.

(e) Compliance with Law; Governmental Approvals. Each Credit Party (i)

has all Governmental Approvals required by any Applicable Law for it to conduct its business, each of which is in full force and effect, is final and not subject to review on appeal and is not the subject of any pending or, to the best of its knowledge, threatened attack by direct or collateral proceeding, and (ii) is in compliance with each Governmental Approval applicable to it and in compliance with all other Applicable Laws relating to it or any of its respective properties, except, in each case, to the extent that such non-compliance would not have a Material Adverse Effect.

(f) Tax Returns and Payments. Each Credit Party has duly filed or caused

to be filed all material federal, state and local tax returns required by Applicable Law to be filed, and has paid, or made adequate provision for the payment of, all federal, state, local and other taxes, assessments and governmental charges or levies upon it and its property, income, profits and assets which are due and payable, other than those the validity of which the applicable Credit Party is contesting in good faith by appropriate proceedings and with respect to which the applicable Credit Party shall, to the extent required by GAAP, have set aside on its books adequate reserves. No Governmental Authority has asserted any Lien or other claim against any Credit Party with respect to unpaid taxes which has not been discharged or resolved. The charges, accruals and reserves on the books of Credit Parties in respect of federal, state, local and other taxes for all Fiscal Years and portions thereof since the organization of each such Credit Party are in the judgment of the Borrower adequate, and the Borrower does not anticipate any additional taxes or assessments for any of such years.

(g) Intellectual Property Matters. Each Credit Party owns or possesses

rights to use all franchises, licenses, copyrights, copyright applications, patents, patent rights or licenses, patent applications, trademarks, trademark rights, trade names, trade name rights, copyrights and rights with respect to the foregoing which are required to conduct its business. No event has occurred which permits, or after notice or lapse of time or both would permit, the revocation or termination of any such rights, and no Credit Party is liable to any Person for infringement under Applicable Law with respect to any such rights as a result of its business operations.

(h) Environmental and Safety Matters. Each Credit Party has complied in

all respects with all Environmental Laws except for violations that either alone or in the aggregate could not reasonably be expected to result in a Material Adverse Effect. No Credit Party manages or handles any hazardous wastes, hazardous substances, hazardous materials, toxic substances or toxic pollutants referred to in or regulated by Environmental Laws in violation of such laws or of any other applicable law where such violation could reasonably be expected to result, individually or together with other violations, in a Material Adverse Effect. There are no outstanding or threatened citations, notices or orders of non-compliance issued to any Credit Party or relating to its facilities, leaseholds, assets or other property. Each Credit Party has been issued all licenses, certificates, permits or other authorizations required under any Environmental Law or by any federal, state or local governmental or quasi-governmental entity. There are no liabilities or contingent liabilities relating to environmental or employee health and safety matters (including on-site or off-site contamination) relating to any Credit Party or any property owned, leased or used by any Credit Party, which, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Effect.

(i) ERISA. The Borrower and each ERISA Affiliate is in material

compliance with all applicable provisions of ERISA and the regulations and published interpretations thereunder.

(j) Margin Stock. No Credit Party is engaged principally or as one of its

activities in the business of extending credit for the purpose of "purchasing" or "carrying" any "margin stock" (as each such term is defined or used in the regulations of the Board of Governors of the Federal Reserve System). No part of the proceeds of any of the Loans will be used for purchasing or carrying margin stock in violation of, or for any purpose which violates, the provisions of Regulation T, U or X of such Board of Governors.

(k) Government Regulation. No Credit Party is an "investment company" or

a company "controlled" by an "investment company" (as each such term is defined or used in the Investment Company Act of 1940, as amended) and neither the Borrower nor any of its Subsidiaries is, or after giving effect to any Extension of Credit will be, subject to regulation under the Public Utility Holding Company Act of 1935 or the Interstate Commerce Act, each as amended, or any other Applicable Law which limits its ability to incur or consummate the transactions contemplated hereby.

(l) Agreements. (i) No Credit Party is a party to any agreement or

instrument or subject to any restriction in its organizational documents that (i) will have the effect of prohibiting or restraining, or will impose adverse conditions upon, any of the transactions contemplated hereby or in the other Credit Documents or the payment of dividends or the making of any loans, investments or transfers by any Subsidiary to or in the Borrower or (ii) has resulted or could reasonably be expected to result in a Material Adverse Effect.

(m) Absence of Defaults. No event has occurred or is continuing which

constitutes a Default or an Event of Default, or which constitutes, or which with the passage of time or giving of notice or both would constitute, a default or event of default by any Credit Party under any material agreement or contract, judgment, decree or order by which any Credit Party or any of their respective properties may be bound or which would require a Credit Party to make any payment thereunder prior to the scheduled maturity date therefore, where such default could reasonably be expected to result in a Material Adverse Effect.

(n) Employee Relations. No Credit Party is party to any collective

bargaining agreement nor has any labor union been recognized as the representative of its employees. There are no strikes against any Credit Party pending or, to the best knowledge of the Borrower, threatened. The hours worked and payments made to employees of each Credit Party have not been in violation of the Fair Labor Standards Act or any other Applicable Law dealing with such matters except for violations that either alone or in the aggregate could not reasonably be expected to result in a Material Adverse Effect. All material payments due from a Credit Party, or for which any claim may be made against a Credit Party, on account of wages and employee health and welfare insurance and other benefits have been paid or accrued as a liability on the books of the applicable Credit Party, in compliance with GAAP.

(o) Burdensome Provisions. No Credit Party is subject to any Governmental

Approval or Applicable Law which is so unusual or burdensome as in the foreseeable future

could be reasonably expected to have a Material Adverse Effect. The Borrower does not presently anticipate that future expenditures of the Credit Parties needed to meet the provisions of any statutes, orders, rules or regulations of a Governmental Authority will be so burdensome as to have a Material Adverse Effect.

(p) Financial Statements. (i) The unaudited consolidated balance sheets

of Inergy Partners and its Consolidated Subsidiaries as of March 31, 2001, and the related statements of income and retained earnings and cash flows for the fiscal quarter then ended and (ii) the audited consolidated balance sheets of Inergy Partners and its Consolidated Subsidiaries as of September 30, 2000, and the related statements of income and retained earnings and cash flows for the Fiscal Year then ended, copies of which have been furnished to the Administrative Agent and each Lender, are each complete and correct and fairly present the assets, liabilities and financial position of the Borrower and its Consolidated Subsidiaries as of such dates, and the results of the operations and changes of financial position for the periods then ended in accordance with GAAP. All such financial statements, including the related schedules and notes thereto, have been prepared in accordance with GAAP. The Borrower and its Subsidiaries have no Debt, obligation or other unusual forward or long-term commitment which is not fairly reflected in the foregoing financial statements or in the notes thereto.

(q) No Material Adverse Change. Since March 31, 2001, no event has

occurred or condition arisen that could reasonably be expected to have a Material Adverse Effect.

(r) Solvency. As of the Closing Date and after giving effect to each

Extension of Credit made hereunder, Inergy, L.P., the Borrower and each of the Subsidiaries of the Borrower will be Solvent.

(s) Titles to Properties.

-
- (i) Each Credit Party has good and marketable title to all assets and other property purported to be owned by it.
 - (ii) Set forth on Part 1 of Schedule 6.01(s) hereto is a complete list by Credit Party of each parcel of real property by street address owned or leased by a Credit Party.
 - (iii) Set forth on Part 2 of Schedule 6.01(s) hereto is a complete list by Credit Party of all motor vehicles owned by a Credit Party.

(t) Liens. None of the properties and assets of the Credit Parties is

subject to any Lien, except Permitted Liens. The Administrative Agent, for the benefit of the Lenders, has a perfected first priority Lien on all of the Collateral subject to no other Liens except for Permitted Liens.

(u) Debt and Permitted Investments. No Credit Party has any Debt other

than Permitted Debt. No Credit Party has made any Investments other than Investments permitted under Section 10.03 of this Agreement.

(v) Litigation. There are no actions, suits or proceedings pending nor,

to the knowledge of the Borrower, threatened against or in any other way relating adversely to or affecting any Credit Party or any Credit Party's respective properties in any court or before any arbitrator of any kind or before or by any Governmental Authority, except for actions, suits or proceedings that, if adversely determined, could, individually or in the aggregate, not reasonably be expected to result in a Material Adverse Effect.

(w) Fiscal Year. The Fiscal Year of each Credit Party begins on October

1 and ends on September 30 of the following calendar year.

(x) Accuracy and Completeness of Information. All written information,

reports and other papers and data produced by or on behalf of each Credit Party and furnished to the Administrative Agent and the Lenders were, at the time the same were so furnished, complete and correct in all material respects. No document furnished or written statement made to the Administrative Agent or the Lenders by any Credit Party in connection with the negotiation, preparation or execution of this Agreement or any of the Credit Documents contains or will contain any untrue statement of a fact material to the creditworthiness of any Credit Party or omits or will omit to state a fact necessary in order to make the statements contained therein not misleading.

SECTION 6.02. Survival of Representations and Warranties, Etc.

All representations and warranties set forth in this Article VI and all representations and warranties contained in any certificate, or any of the Credit Documents (including, but not limited to, any such representation or warranty made in or in connection with any amendment thereto) shall constitute representations and warranties made under this Agreement. All representations and warranties made under this Agreement shall be made or deemed to be made at and as of the Closing Date, shall survive the Closing Date and shall not be waived by the execution and delivery of this Agreement, any investigation made by or on behalf of the Lenders or any borrowing hereunder.

ARTICLE VII

FINANCIAL INFORMATION AND NOTICES

Until all the Obligations have been finally and indefeasibly paid and satisfied in full and the Commitments terminated, unless consent has been obtained in the manner set forth in Section 13.11, the Borrower will furnish or

cause to be furnished to the Administrative Agent and to the Lenders at their respective addresses as set forth on Schedule 1.01B hereto, or such other office

as may be designated by the Administrative Agent and Lenders from time to time:

SECTION 7.01. Monthly Financial Statements.

(a) As soon as practicable and in any event within thirty (30) days after the end of each month, unaudited consolidated and consolidating balance sheet of Energy, L.P. and its Consolidated Subsidiaries as of the close of such month and unaudited consolidated and consolidating statements of income, retained earnings and cash flows for the month then ended and that portion of the Fiscal Year then ended, all in reasonable detail setting forth in

comparative form the corresponding figures for the preceding Fiscal Year and prepared by Inergy, L.P. in accordance with GAAP and, if applicable, containing disclosure of the effect on the financial position or results of operations of any change in the application of accounting principles and practices during the period, and certified by a Financial Officer of Inergy, L.P. to (i) present fairly in all material respects the financial condition of Inergy, L.P. and its consolidated Subsidiaries as of their respective dates and the results of operations of Inergy, L.P. and its Consolidated Subsidiaries for the respective periods then ended, and (ii) having been prepared in accordance with GAAP other than the absence of footnotes and subject to year-end audit and adjustments.

(b) Borrowing Base Certificates; Mark-to-Market Reports.

- (i) Prior to any borrowing hereunder, but at least monthly, a borrowing base certificate in substantially the form of Exhibit F showing, as of the close of business on the day prior to any borrowing or on the last day of such month the Borrowing Base. No later than thirty (30) days after the end of each month, reports, in form and substance satisfactory to the Administrative Agent, of the Borrower's and its Consolidated Subsidiaries' agings of accounts receivable and inventory.
- (ii) Upon request and no later than fifteen (15) days after the end of each month, a mark-to-market report of the Borrower and its Consolidated Subsidiaries for the prior month, in form and substance satisfactory to the Administrative Agent.

(c) Quarterly Financial Statements.

- (i) As soon as practicable and in any event within forty-five (45) days after the end of each of the first three fiscal quarters, unaudited consolidated and consolidating balance sheet of Inergy, L.P. and its Consolidated Subsidiaries as of the close of such fiscal quarter and unaudited consolidated and consolidating statements of income, retained earnings and cash flows for the fiscal quarter then ended and that portion of the Fiscal Year then ended, all in reasonable detail setting forth in comparative form the corresponding figures for the preceding Fiscal Year and prepared by Inergy, L.P. in accordance with GAAP other than the absence of footnotes and subject to year-end audit and adjustments and, if applicable, containing disclosure of the effect on the financial position or results of operations of any change in the application of accounting principles and practices during the period, and certified by a Financial Officer of Inergy, L.P. to present fairly in all material respects the financial condition of Inergy, L.P. and its Consolidated Subsidiaries as of their respective dates and the results of operations of Inergy, L.P. and its Consolidated Subsidiaries for the respective periods then ended other than the absence of footnotes and subject to year-end audit and adjustments. For purposes hereof, the delivery of Inergy, L.P.'s appropriately completed Quarterly Report on Form 10-Q will be sufficient in lieu of

delivery of the consolidated financial statements of Inergy, L.P. and its Consolidated Subsidiaries.

(ii) As soon as practicable and in any event within forty-five (45) days after the end of each of the first three fiscal quarters, unaudited consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of the close of such fiscal quarter and unaudited consolidated statements of income, retained earnings and cash flows for the fiscal quarter then ended and that portion of the Fiscal Year then ended, all in reasonable detail setting forth in comparative form the corresponding figures for the preceding Fiscal Year and prepared by the Borrower in accordance with GAAP other than the absence of footnotes and subject to year-end audit and adjustments and, if applicable, containing disclosure of the effect on the financial position or results of operations of any change in the application of accounting principles and practices during the period, and certified by a Financial Officer of the Borrower to present fairly in all material respects the financial condition of the Borrower and its Consolidated Subsidiaries as of their respective dates and the results of operations of the Borrower and its Consolidated Subsidiaries for the respective periods then ended other than the absence of footnotes and subject to year-end audit and adjustments.

(d) Applicable Margin Calculation Certificate. As soon as available and in -----
any event within thirty (30) days after the end of each fiscal quarter, the Applicable Margin Calculation Certificate for the Borrower and its Consolidated Subsidiaries for such fiscal quarter.

(e) Annual Financial Statements.

(i) As soon as practicable and in any event within ninety (90) days after the end of each Fiscal Year, audited consolidated balance sheet of Inergy, L.P. and its Consolidated Subsidiaries as of the close of such Fiscal Year and audited consolidated statements of income, retained earnings and cash flows for the Fiscal Year then ended, including the notes thereto, all in reasonable detail setting forth in comparative form the corresponding figures for the preceding Fiscal Year and audited by Ernst & Young, LLP or other independent certified public accountants of national standing reasonably acceptable to the Administrative Agent in accordance with GAAP and, if applicable, containing disclosure of the effect on the financial position or results of operation of any change in the application of accounting principles and practices during the year, and accompanied by a report thereon by such certified public accountants that is not qualified with respect to scope limitations imposed by Inergy, L.P. or any of its Consolidated Subsidiaries or with respect to accounting principles followed by Inergy, L.P. or any of its Consolidated Subsidiaries not in accordance with GAAP and there exists no Event of Default under Article IX of this Agreement. For purposes hereof, the delivery of Inergy, L.P.'s

appropriately completed Annual Report on Form 10-K will be sufficient in lieu of delivery of the consolidated financial statements of Inergy, L.P. and its Consolidated Subsidiaries.

- (ii) As soon as practicable and in any event within ninety (90) days after the end of each Fiscal Year, unaudited consolidating balance sheet of Inergy, L.P. and its Consolidated Subsidiaries as of the close of such Fiscal Year and unaudited consolidating statements of income, retained earnings and cash flows for the Fiscal Year then ended, including the notes thereto, all in reasonable detail setting forth in comparative form the corresponding figures for the preceding Fiscal Year, certified by a Financial Officer of Inergy Partners as having been prepared in accordance with GAAP.
- (iii) As soon as practicable and in any event within ninety (90) days after the end of each Fiscal Year, audited consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of the close of such Fiscal Year and audited consolidated statements of income, retained earnings and cash flows for the Fiscal Year then ended, including the notes thereto, all in reasonable detail setting forth in comparative form the corresponding figures for the preceding Fiscal Year, and audited by Ernst & Young, LLP or other independent certified public accountants of national standing reasonably acceptable to the Administrative Agent in accordance with GAAP and, if applicable, containing disclosure of the effect on the financial position or results of operation of any change in the application of accounting principles and practices during the year, and accompanied by a report thereon by such certified public accountants that is not qualified with respect to scope limitations imposed by the Borrower or any of its Consolidated Subsidiaries or with respect to accounting principles followed by the Borrower or any of its Consolidated Subsidiaries not in accordance with GAAP and there exists no Event of Default under Article IX of this Agreement.

(f) Annual Budget. As soon as practicable and in any event within thirty

(30) days prior to the end of each Fiscal Year, a budget approved by the board of directors (or analogous governing board of the Borrower) for the next Fiscal Year, setting forth detailed quarterly projections of the earnings and expenditures of the Borrower and its Consolidated Subsidiaries for such next Fiscal Year.

(g) Officer's Compliance Certificate. At each time financial statements

are delivered pursuant to Sections 7.01(c) or (e), a certificate of a Financial

Officer of Inergy, L.P. or the Borrower, as applicable in the form of Exhibit E

attached hereto (an "Officer's Compliance Certificate").

SECTION 7.02. Notice of Litigation and Other Matters.

Promptly (but in no event later than ten (10) days after an officer of a Credit Party obtains knowledge thereof) telephonic and written notice of:

(a) the commencement of all proceedings and investigations by or before any Governmental Authority and all actions and proceedings in any court or before any arbitrator against or involving any Credit Party or any of their respective properties, assets or businesses, which, if adversely determined, could reasonably be expected to have a Material Adverse Effect;

(b) any notice of any violation received by any Credit Party from any Governmental Authority including, without limitation, any notice of violation of Environmental Laws or ERISA which in any such case could reasonably be expected to have a Material Adverse Effect;

(c) any labor controversy that has resulted in a strike or other work action against any Credit Party that could reasonably be expected to have a Material Adverse Effect;

(d) any dispositions of any Collateral or other assets or property of any Credit Party (other than in the ordinary course of its business) within ten (10) days of the disposition thereof;

(e) any Default or Event of Default;

(f) any event which makes any of the representations set forth in Section 6.01 inaccurate in any respect;

(g) any other development that has resulted in, or could reasonably be expected to result in a Material Adverse Effect;

(h) promptly upon receipt thereof, copies of all reports, if any, submitted to any Credit Party or its respective board of directors (or analogous governing body) by its respective independent public accountants in connection with their auditing function, including, without limitation, accountant letters, management reports and management responses thereto; and

(i) such other information regarding the operations, business affairs and financial condition of the Credit Parties as the Administrative Agent or any Lender may reasonably request.

SECTION 7.03. Accuracy of Information.

All written information, reports, statements and other papers and data furnished by or on behalf of the Borrower or any of the other Credit Parties to the Administrative Agent or any Lender (other than financial forecasts) whether pursuant to this Article VII or any other provision of this Agreement, or any other of the Credit Documents, shall be, at the time the same is so furnished, complete and correct in all material respects to the extent necessary to give the Administrative Agent or any Lender complete, true and accurate knowledge of the subject matter based on the Borrower's knowledge thereof.

ARTICLE VIII

AFFIRMATIVE COVENANTS

Until the Obligations have been finally and indefeasibly paid and satisfied in full and the Commitments terminated, unless consent has been obtained in the manner provided for in Section 13.11, the Borrower will, and will cause each of its Subsidiaries to:

SECTION 8.01. Existence; Businesses and Properties.

(i) Carry on and conduct its principal business substantially as it is now being conducted, (ii) maintain in good standing its existence and its right to transact business in those states in which it is now or may after the Closing Date be doing business; and (iii) maintain all licenses, permits and registrations necessary to the conduct of its business, except where the failure to so maintain its right to transact business or to maintain such licenses, permits or registrations would not have a Material Adverse Effect.

SECTION 8.02. Insurance.

Keep insured at all times with financially sound and reputable insurers which are satisfactory to the Administrative Agent (i) all of its property of an insurable nature (other than residential tanks and racks and cylinders on a cylinder exchange program), including, without limitation, all real estate, equipment, fixtures and inventories, against fire and other casualties in such a manner and to the extent that like properties are usually insured by others owning properties of a similar character in a similar locality or as otherwise required by the Administrative Agent, with the proceeds of such casualty insurance payable to the Administrative Agent for the benefit of the Lenders, and (ii) against liability on account of damage to persons or property (including product liability insurance and all insurance required under all applicable worker's compensation laws) caused by it or its officers, members, employees, agents or contractors in such a manner and to the extent that like risks are usually insured by others conducting similar businesses in the places where it conducts its business or as otherwise required by the Administrative Agent. The Borrower shall cause the insurers under all of its and its Subsidiaries' insurance policies to (a) provide the Administrative Agent at least thirty (30) days prior written notice of the termination of any such policy before such termination shall be effective and (b) agree to such other matters in respect of any such casualty insurance as provided in the Administrative Agent's loss payee endorsement. In addition, the Borrower will, upon request of the Administrative Agent at any time, furnish a written summary of the amount and type of insurance carried by the Borrower and its Subsidiaries, the names of the insurers and the policy numbers, and deliver to the Administrative Agent certificates with respect thereto.

SECTION 8.03. Payment of Taxes; Etc.

Pay and discharge, before they become delinquent, all taxes, assessments and other governmental charges imposed upon it, its properties, or any part thereof, or upon the income or profits therefrom and all claims for labor, materials or supplies which if unpaid might be or become a Lien or charge upon any of its property and other material obligations, except such

items as it is in good faith appropriately contesting and as to which adequate reserves have been provided to the Administrative Agent's satisfaction.

SECTION 8.04. Maintenance of Properties and Leases.

(i) Maintain, preserve and keep its properties and every part thereof in good repair, working order and condition (except for such properties as the Borrower in good faith determines are not useful in the conduct of its or its Subsidiaries' business); (ii) from time to time make all necessary and property repairs, renewals, replacements, additions and improvements thereto so that at all times the efficiency thereof shall be fully preserved and maintained, and (iii) maintain all leases of real or personal property in good standing, free of any defaults by the Credit Party that is party thereto.

SECTION 8.05. Employee Benefits.

(i) Notify the Administrative Agent promptly of the establishment or joinder of any Plan, except that prior to the establishment of any "welfare plan" (as defined in Section 3(1) of ERISA) covering any employee of any Credit Party for any period after such employee's termination of employment other than such period required by the Consolidated Omnibus Budget Reconciliation Act of 1986 or "defined benefit plan" (as defined in Section 3(35) of ERISA) or joinder of, or contribution to, any multiemployer plan as defined under Section 3(37) of ERISA, it will obtain the Administrative Agent's prior written approval of such establishment; (ii) at all times make prompt payments or contributions to meet the minimum funding standards of Section 412 of the Internal Revenue Code of 1986, as amended, with respect to each Plan; (iii) promptly after the filing thereof, furnish to the Administrative Agent a copy of any report required to be filed pursuant to Section 103 of ERISA in connection with each Plan for each Plan year, including but not limited to the Schedule B attached thereto, if applicable; (iv) notify the Administrative Agent promptly of any "reportable event" (as defined in Section 4043 of ERISA) or any circumstances arising in connection with any Plan which might constitute grounds for the termination thereof by the Pension Benefit Guaranty Corporation or for the appointment by the appropriate United States District Court of a trustee to administer the Plan, the initiation of any audit or inquiry by the Internal Revenue Service or the Department of Labor of any Plan or transaction(s) involving or related to any Plan, or any "prohibited transactions" as defined in Section 406 of ERISA or Section 4975(c) of the Internal Revenue Code of 1986, as amended; (v) notify the Administrative Agent prior to any action that could result in the assertion of liability under Subtitle E of Title IV of ERISA caused by the complete or partial withdrawal from any multiemployer plan or to terminate any defined benefit plan sponsored by a Credit Party; and (vi) promptly furnish such additional information concerning any Plan as the Administrative Agent may from time to time request.

SECTION 8.06. Books and Records; Inspection; Audits.

(i) Maintain complete and accurate books and financial records in accordance with GAAP; (ii) during normal working hours permit the Administrative Agent and Persons designated by the Administrative Agent to visit and inspect its properties and to conduct any environmental tests or audits thereon, to inspect its books and financial records (including its journals, orders, receipts and correspondence which relates to its accounts receivable), and to

discuss its affairs, finances and accounts receivable and operations with its members, officers, employees and agents and its independent public accountants at the expense of the Borrower; and (iii) permit the Administrative Agent and Persons designated by the Administrative Agent to perform audits of such books and financial records at the expense of the Borrower when and as requested by the Administrative Agent.

SECTION 8.07. Compliance with Laws.

Comply with all applicable laws, rules and regulations, and all orders of any Governmental Authority, applicable to it or any of its property, business, operations or transactions (including ERISA and all Environmental Laws), except where the failure to so comply could not reasonably be expected to result in a Material Adverse Effect, and provide prompt written notice to the Lenders following the receipt of any notice of any violation of any such laws, rules, regulations or orders from any Governmental Authority charged with enforcing the same where such violation could reasonably be expected to result in a Material Adverse Effect.

SECTION 8.08. Use of Proceeds.

Use the proceeds of (i) the Working Capital Loans and Swingline Loans for general corporate purposes of the Borrower and its Subsidiaries, other than Permitted Acquisitions; and (ii) the Acquisition Loans for refinancing indebtedness of the Borrower under the Existing Credit Agreement, Permitted Acquisitions, Expansion Capital Expenditures and the payment of fees and expenses incurred in connection with this Agreement and the other Credit Documents and the transactions contemplated hereby and thereby.

SECTION 8.09. Preparation of Environmental Reports.

If a Default caused by reason of a breach of Section 8.07 (as such Section relates to Environmental Laws) shall have occurred and be continuing, at the request of the Required Lenders through the Administrative Agent, provide to Lenders within forty-five (45) days after such request, at the expense of the Borrower, an environmental site assessment report for the properties which are the subject of such Default prepared by an environmental consulting firm acceptable to the Administrative Agent and consented to by the Borrower (which consent shall not be unreasonably withheld or delayed), indicating the presence or absence of hazardous materials and the estimated cost of any compliance or remedial action in connection with such properties.

SECTION 8.10. Location of Collateral.

Keep all Collateral, other than inventory in transit, motor vehicles, residential tanks and bulk storage tanks, at one or more of the locations set forth on Schedule 8.10 hereto and not remove any such Collateral therefrom

except for, for so long as there exists no Event of Default, (i) inventory sold in the ordinary course of business; (ii) dispositions of obsolete equipment to the extent permitted under this Agreement and the other Credit Documents; and (iii) the storage of inventory or equipment at locations within the continental United States other than those described on Schedule 8.10 hereto provided that

(a) the Borrower shall take all necessary actions necessary for the Administrative Agent's Lien on such inventory and equipment to continue to

be a perfected first priority Lien subject to no other Lien other than Permitted Liens and (b) the Administrative Agent shall have received, prior to the relocation of any such equipment or inventory, a landlord's waiver, acceptable in form and content to the Administrative Agent, if the premises are leased, and mortgagee's waivers, in each case acceptable in form and content to the Administrative Agent, from all those who hold a mortgage or like Lien on such premises.

SECTION 8.11. Federal Reserve Regulations.

No proceeds of any Loans shall be used to acquire or carry any Margin Stock.

SECTION 8.12. Administrative Agent May Perform Obligations; Further

Assurances.

Permit the Administrative Agent on behalf of the Lenders, if the Administrative Agent or the Required Lenders so elects in their sole discretion, to pay or perform any of the Borrower's Obligations hereunder or under than other Credit Documents and to reimburse the Administrative Agent, on demand, or, if the Administrative Agent so elects, by the Administrative Agent making one or more Loans (as the Administrative Agent may elect) on the Borrower's behalf and charging the accounts of any Credit Party held by the Administrative Agent accordingly, for all amounts expended by or on behalf of the Administrative Agent in connection therewith, and all costs and expenses incurred by or on behalf of the Administrative Agent in connection therewith. Each Borrower further agrees to execute, deliver or perform, or cause to be executed, delivered or performed, all such documents, agreements or acts, as the case may be, as the Administrative Agent may reasonably request from time to time to create, perfect, continue or otherwise assure the Administrative Agent with respect to any Lien on all assets of each Credit Party or created or purported to be created by any of the Credit Documents or to otherwise create, evidence, assure or enhance the Administrative Agent's and the Lender's rights and remedies under, or as contemplated by, the Credit Documents or at law or in equity.

SECTION 8.13. Landlord Waivers.

To the extent not previously provided to the Administrative Agent, use best efforts to provide to the Administrative Agent a duly executed landlord's waiver, in form and substance satisfactory to the Administrative Agent, (i) from each landlord who leases any real property to a Credit Party, including, without limitation, each parcel of leased real property set forth on Part 1 of Schedule 6.01(s) prior to the Closing Date and (ii) from each Landlord with whom a Credit Party enters into a lease after the Closing Date within fifteen (15) days of the execution of such lease.

SECTION 8.14. Acquisition of Assets and Properties.

All assets and properties acquired by the Borrower or any of its Subsidiaries after the Closing Date shall be part of the Collateral securing the payment and performance of the Obligations, and the Borrower or such Subsidiary, as applicable, shall execute and deliver, or cause to be executed and delivered, to the Administrative Agent, at the Borrower's reasonable expense, such documents (including, without limitation, mortgages, deeds of trust, deeds to secure debt, loan agreements, security agreements, UCC financing statements, fixture filings, opinions of counsel, title insurance and endorsements) and other assurances as the

Administrative Agent may request in order to create and perfect Liens in such assets and properties in favor of the Administrative Agent, subject to no other Liens other than Permitted Liens.

ARTICLE IX

FINANCIAL COVENANTS

Until all of the Obligations have been finally and indefeasibly paid and satisfied in full and the Commitments terminated, unless consent has been obtained in the manner set forth in Section 13.11, the Borrower will not:

SECTION 9.01. Consolidated EBITDA/Consolidated Interest Expense.

Permit, as of the last day of each fiscal quarter, the ratio of (i) Consolidated EBITDA of the Borrower and its Consolidated Subsidiaries to (ii) Consolidated Interest Expense of the Borrower and its Consolidated Subsidiaries, in each case for the four fiscal quarters then most recently ended, to be less than: (i) 2.25 to 1.00, for any fiscal quarter ending on or before December 31, 2001; and (ii) 2.50 to 1.00, for any fiscal quarter ending thereafter.

SECTION 9.02. Consolidated Leverage Ratio.

Permit, as of the last day of each fiscal quarter, the Consolidated Leverage Ratio of the Borrower and its Consolidated Subsidiaries to be more than: (a) 5.00 to 1.00, for any fiscal quarter ending on or before June 30, 2002; and (b) 4.50 to 1.00, for any fiscal quarter ending thereafter.

ARTICLE X

NEGATIVE COVENANTS

Until all of the Obligations have been finally and indefeasibly paid and satisfied in full and the Commitments terminated, unless consent has been obtained in the manner set forth in Section 13.11, the Borrower will not, and

will not cause or permit any of its Subsidiaries to:

SECTION 10.01. Liens.

Create or suffer to exist any Lien, except for Permitted Liens, upon or with respect to any of its assets or properties, whether such Person owns or has an interest in such assets or properties on the Closing Date or at any time thereafter.

SECTION 10.02. Debt.

Create or suffer to exist any Debt except for Permitted Debt.

SECTION 10.03. Restricted Investments.

(a) Make or permit to exist any loans or advances to or any other investment in any Person (including any equity holders of the Borrower or of any of its Affiliates), except investments in (1) interest-bearing United States Government obligations, (2) certificates of deposit issued by or time deposits with any commercial bank organized and existing under the laws of the United States or any state thereof having capital and surplus of not less than \$25,000,000, (3) prime commercial paper rated AAA by Standard and Poor's or Prime P-1 by Moody's Investor Service, Inc., or (4) agreements involving the sale and guaranteed repurchase of United States Government securities. All instruments and documents evidencing such investments shall be pledged to the Administrative Agent promptly after the relevant Person's receipt thereof, shall be security for the Obligations, and shall be Collateral hereunder.

(b) Acquire any assets or property of any other Person (other than a Credit Party) other than (i) pursuant to a Permitted Acquisition, (ii) subject to Section 8.16, in the ordinary course of business consistent with past

practices and (iii) as part of a Capital Expenditure.

SECTION 10.04. Structure; Disposition of Assets.

(i) Except for Permitted Acquisitions, merge or consolidate with or otherwise acquire, or be acquired by, any other Person; and (ii) sell, lease or otherwise transfer all or any part of its assets other than, for so long as there exists no Event of Default, (a) the sale of inventory in the ordinary course of such Person's business, (b) the disposition of obsolete equipment subject to Section 4.02(d) hereof and (c) the sale of motor vehicles in the

ordinary course of such Person's business with the consent of the Administrative Agent.

SECTION 10.05. Sale-Leasebacks; Subsidiaries; New Business.

Enter into any sale and leaseback transaction with respect to any of its properties or create any Subsidiary, or manufacture any goods, render any services or otherwise enter into any business which is not substantially similar to that existing on the Closing Date.

SECTION 10.06. Issuance of Securities.

Issue any membership or other equity interests, or create any new class of equity interests, or modify in any material respect the voting, liquidation or other rights of any class of equity interests, or issue any other securities; provided, however, the Borrower may issue Capital Stock.

SECTION 10.07. Conflicting Agreements.

Enter into any agreement any term or condition of which conflicts with any provision of this Agreement or the other Credit Documents.

SECTION 10.08. Changes in Accounting Principles; Fiscal Year.

Make any change in its principles or methods of accounting as currently in effect, except such changes as are required by GAAP, nor, without first obtaining the Administrative Agent's written consent, change its Fiscal Year.

SECTION 10.09. Transactions With Affiliates.

Enter into or be a party to any transaction or arrangement, including without limitation, the purchase, sale or exchange of property of any kind or the rendering of any service, with any Affiliate, except in the ordinary course of and pursuant to the reasonable requirements of such Person's business and upon fair and reasonable terms substantially as favorable to such Person as those which would be obtained in a comparable arms-length transaction with a non-Affiliate.

SECTION 10.10. Distributions.

Pay any dividends on or make any other distributions in respect of any membership interests or other equity interests or redeem or otherwise acquire any such membership or other equity interests without in each instance obtaining the prior written consent of the Required Lenders; provided, however, that (i)

any Credit Party which is a Subsidiary of the Borrower may pay regularly scheduled dividends or make other distributions to the Borrower, and (ii) if no Default or Event of Default exists or would result therefrom, the Borrower may pay cash distributions, free of any Lien, to Inergy, L.P. in an amount not to exceed Available Cash.

SECTION 10.11. Lease Obligations.

Permit the aggregate obligations that are due and payable during any Fiscal Year under leases or agreements to lease (other than obligations under Capital Leases) to exceed \$3,000,000 during such Fiscal Year.

SECTION 10.12. Restrictive Agreements.

Enter into any Debt which contains any covenants (including, without limitation, a negative pledge on assets) more restrictive than the provisions of Articles VIII, IX and X.

SECTION 10.13. Put Agreements.

Enter into any put agreement or similar agreement with any other Person granting such Person put rights or similar arrangements with respect to the Capital Stock of the Borrower or its Subsidiaries.

SECTION 10.14. Amendments to Organic Documents.

Amend or otherwise modify their respective Organic Documents in any manner that would affect the Administrative Agent or the Lenders without the prior written consent of the Administrative Agent and the Required Lenders, except for amendments or other modifications that modify administrative provisions or amendments that reflect the issuance, redemption or

transfer of Capital Stock to the extent permitted by and in accordance with this Agreement and the other Credit Documents.

ARTICLE XI

DEFAULT AND REMEDIES

SECTION 11.01. Events of Default.

Each of the following shall constitute an Event of Default, whatever the reason for such event and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment or order of any court or any order, rule or regulation of any Governmental Authority or otherwise:

(a) Default in Payment of Principal of Loans and Reimbursement Obligations.

The Borrower shall default in any payment of principal of any Loan, Note or Reimbursement Obligation when and as due (whether at maturity, by reason of acceleration or otherwise).

(b) Other Payment Default. The Borrower shall default in the payment when

and as due (whether at maturity, by reason of acceleration or otherwise) of interest due on any Loan, Note or Reimbursement Obligation or the payment of any other Obligation, and such default shall continue unremedied for three (3) Business Days.

(c) Misrepresentation. Any representation or warranty made or deemed to be

made by Inergy, L.P., the Borrower or any Subsidiary of the Borrower under this Agreement, any other Credit Document or any amendment hereto or thereto, shall prove to have been incorrect or misleading in any material respect when made or deemed made.

(d) Default in Performance of Certain Covenants. The Borrower shall default in the performance or observance of any covenant or agreement contained in Sections 4.02, 7.01(b), (c), (e) or (g), 7.02(e), 8.01, 8.02, 8.06(ii), 8.06(iii), 8.08, 8.10, Article IX or Sections 10.01, 10.02, 10.03, 10.04, 10.05, 10.06, 10.10, 10.12, 10.13 or 10.14 of this Agreement.

(e) Default in Performance of Other Covenants and Conditions. The Borrower

or any Subsidiary of the Borrower shall default in the performance or observance of any term, covenant, condition or agreement contained in this Agreement (other than as specifically provided for otherwise in this Section 11.01) or any other

Credit Document and such default shall continue for a period of thirty (30) days and the Borrower or such Subsidiary of the Borrower, as applicable, continuously and diligently endeavors to cure such default.

(f) Debt Cross-Default. The Borrower, Inergy, L.P. or any Subsidiary of the

Borrower shall (i) default in the payment of any Debt (other than that evidenced by the Notes or any Reimbursement Obligation), the aggregate outstanding amount of which Debt is in excess of \$500,000, beyond the period of grace if any, provided in the instrument or agreement under which such Debt was created, or (ii) default in the observance or performance, beyond the period of grace if any, of any other agreement or condition relating to any Debt (other than that evidenced by the Notes or any Reimbursement Obligation) the aggregate outstanding amount of which Debt is in excess of \$500,000, or contained in any instrument or agreement

evidencing, securing or relating thereto or any other event shall occur or condition exist, the effect of which default or other event or condition is to cause, or to permit the holder or holders of such Debt (or a trustee or agent on behalf of such holder or holders) to cause, with the giving of notice if required, any such Debt to become due prior to its stated maturity.

(g) Other Cross-Defaults.

(i) The Borrower, Inergy, L.P. or any Subsidiary of the Borrower shall default in the payment when due, or in the performance or observance, of any obligation or condition of any material contract or agreement unless, but only as long as, the existence of any such default is being contested by the Borrower, Inergy, L.P. or such Subsidiary of the Borrower, as applicable, in good faith by appropriate proceedings and adequate reserves in respect thereof have been established on the books of the Borrower, Inergy, L.P. or such Subsidiary of the Borrower, as applicable, to the extent required by GAAP.

(ii) Any "Event of Default" shall have occurred and be continuing under any other Credit Document or any Hedging Agreement.

(h) Voluntary Bankruptcy Proceeding. Inergy, L.P., the Borrower or any

Subsidiary of the Borrower shall (i) commence a voluntary case under the federal bankruptcy laws (as now or hereafter in effect), (ii) file a petition seeking to take advantage of any other laws, domestic or foreign, relating to bankruptcy, insolvency, reorganization, winding up or composition for adjustment of debts, (iii) consent to or fail to contest in a timely and appropriate manner any petition filed against it in an involuntary case under such bankruptcy laws or other laws, (iv) apply for or consent to, or fail to contest in a timely and appropriate manner, the appointment of, or the taking of possession by, a receiver, custodian, trustee, or liquidator of itself or of a substantial part of its property, domestic or foreign, (v) admit in writing its inability to pay its debts as they become due, (vi) make a general assignment for the benefit of creditors, or (vii) take any corporate action for the purpose of authorizing any of the foregoing.

(i) Involuntary Bankruptcy Proceeding. A case or other proceeding shall be

commenced against Inergy, L.P., the Borrower or any Subsidiary of the Borrower in any court of competent jurisdiction seeking (i) relief under the federal bankruptcy laws (as now or hereafter in effect) or under any other laws, domestic or foreign, relating to bankruptcy, insolvency, reorganization, winding up or adjustment of debts, or (ii) the appointment of a trustee, receiver, custodian, liquidator or the like for Inergy, L.P., the Borrower or any Subsidiary of the Borrower or for all or any substantial part of their respective assets, domestic or foreign, and such case or proceeding shall continue undismissed or unstayed for a period of sixty (60) consecutive days, or an order granting the relief requested in such case or proceeding (including, but not limited to, an order for relief under such federal bankruptcy laws) shall be entered.

(j) Impairment of Security, Etc. Any of the Credit Documents shall cease

in any material respect to be in full force and effect or shall be declared to be null and void in whole or in a material part by the final judgment of a court or other governmental or regulatory authority

having jurisdiction or the validity or enforceability thereof shall be contested by, or on behalf of, any Credit Party; or any Credit Party shall renounce any of the same or deny that it has any or further liability under any Credit Document to which it is a party; or any security interest purported to be created by any Credit Document shall cease to be, or shall be asserted by any Credit Party not to be, a valid, perfected, first priority (except as expressly otherwise provided in this Agreement or such Credit Document) security interest in the Collateral covered thereby.

(k) Judgment. A judgment or order for the payment of money which causes

the aggregate amount of all such judgments to exceed \$500,000 in any Fiscal Year shall be entered against the Borrower or any Subsidiary of the Borrower by any court and such judgment or order shall continue undischarged or unstayed for a period of thirty (30) days.

(l) Change of Control; Ownership. (i) Inergy, L.P. ceases to own and

control 100% of the outstanding Capital Stock of the Borrower; (ii) Inergy Holdings ceases to own and control 100% of the outstanding Capital Stock of Inergy GP; (iii) any Person or group of Persons, other than New Inergy Propane, shall acquire, directly or indirectly, more than 30% of the outstanding Capital Stock of Inergy, L.P.; (iv) Inergy GP ceases to be the managing general partner of Inergy, L.P.; (v) a majority of the seats on the board of directors (or other applicable governing body) of Inergy GP shall at any time after the Effective Date be occupied by Persons who were not nominated by Inergy GP or Inergy Holdings, by a majority of the board of directors (or other applicable governing body) of Inergy GP or Inergy Holdings or by Persons so nominated; (vi) a majority of the seats on the board of directors (or other applicable governing body) of the Borrower shall at any time after the Effective Date be occupied by Persons who were not nominated by the Borrower or Inergy Holdings, by a majority of the board of directors (or other applicable governing body) of the Borrower or Inergy Holdings or by Persons so nominated; (vii) John J. Sherman, for any reason, ceases to actively participate in the management of the Borrower and its Subsidiaries, and a replacement for John J. Sherman acceptable to the Administrative Agent, in its discretion, is not made within sixty (60) days from the date John J. Sherman ceases such active participation; or (viii) any pledgor under any Pledge Agreement shall grant or suffer to exist any Lien on such pledgor's interest in any Collateral described therein, except in each case for any Permitted Lien.

(m) Material Adverse Effect. In the Required Lender's reasonable judgment,

there occurs any condition or event that could have a Material Adverse Effect.

SECTION 11.02. Remedies.

Upon the occurrence of an Event of Default, with the consent of the Required Lenders, the Administrative Agent may, or upon the request of the Required Lenders, the Administrative Agent shall, by notice to the Borrower:

(a) Acceleration; Termination of Credit Facilities. Declare the principal

of and interest on the Loans, the Notes and the Reimbursement Obligations at the time outstanding, and all other amounts owed to the Lenders and to the Administrative Agent under this Agreement or any of the other Credit Documents (including, without limitation, all L/C Obligations, whether or not the beneficiaries of the then outstanding Letters of Credit shall have presented the documents required thereunder) and all other Obligations (other than any

obligations under any Hedging Agreement), to be forthwith due and payable, whereupon the same shall immediately become due and payable without presentment, demand, protest or other notice of any kind, all of which are expressly waived, anything in this Agreement or the other Credit Documents to the contrary notwithstanding, and terminate the Credit Facilities and any right of the Borrower to request borrowings or Letters of Credit thereunder; provided, that

upon the occurrence of an Event of Default specified in Section 11.01(i) or (j),

the Credit Facilities shall be automatically terminated and all Obligations (other than any obligations under any Hedging Agreement) shall automatically become due and payable without presentment, demand, protest or other notice of any kind, all of which are expressly waived, anything in this Agreement or in any other Loan Document to the contrary notwithstanding.

(b) Letters of Credit. With respect to all Letters of Credit with respect

to which presentment for honor shall not have occurred at the time of an acceleration pursuant to Section 11.02(a), require the Borrower at such time to

deposit in a cash collateral account with the Administrative Agent an amount equal to the aggregate then undrawn and unexpired amount of such Letters of Credit. Amounts held in such cash collateral account shall be applied by the Administrative Agent to the payment of drafts drawn under such Letters of Credit, and the unused portion thereof after all such Letters of Credit shall have expired or been fully drawn upon, if any, shall be applied to repay the other Obligations. After all such Letters of Credit shall have expired or been fully drawn upon, the Reimbursement Obligation shall have been satisfied and all other Obligations shall have been paid in full, the balance, if any, in such cash collateral account shall be returned to the Borrower.

(c) Rights of Collection, Etc.

- (i) All of the rights and remedies of a secured party under the UCC or under other Applicable Law, and all other legal and equitable rights to which the Administrative Agent may be entitled, all of which rights and remedies shall be cumulative, and none of which shall be exclusive, and all of which shall be in addition to any other rights or remedies contained in this Agreement or any of the other Credit Documents.
- (ii) The right to take immediate possession of the Collateral, and (1) to require the Borrower to assemble the Collateral, at the Borrower's expense, and make it available to the Administrative Agent at a place designated by the Administrative Agent, and (2) to enter upon and use any premises in which the Borrower has an ownership, leasehold or other interest, or wherever any of the Collateral shall be located, and to store, remove, abandon, manufacture, sell, dispose of or otherwise use all or any part of the Collateral on such premises without the payment of rent or any other fees by the Administrative Agent to the Borrower or any other Person for the use of such premises or such Collateral.
- (iii) The right to sell or otherwise dispose of all or any inventory or equipment in its then condition, or after any further manufacturing or processing thereof, at public or private sale or sales, with such notice as may be required by law, in lots or in bulk, for cash or on credit all as the

Administrative Agent, in its sole discretion, may deem advisable. The Borrower agrees that ten (10) days prior written notice to the Borrower of any public or private sale or other disposition of such Collateral shall be reasonable notice thereof and such sale shall be at such locations as the Administrative Agent may designate in such notice. The Administrative Agent shall have the right to conduct such sales on the Borrower's premises, without charge therefor, and such sales may be adjourned from time to time in accordance with applicable law. The Administrative Agent shall have the right to sell lease or otherwise dispose of such Collateral, or any part thereof for cash, credit or any combination thereof and the Administrative Agent may purchase all or any part of such Collateral at public or, if permitted by law, private sale and, in lieu of actual payment of such purchase price, may set-off or credit the amount of such price against the Obligations.

- (iv) The Administrative Agent is hereby granted a license or other right to use, without charge, all of the Borrower's labels, patents, copyrights, rights of use of any name, trade secrets, trade names, trademarks, and advertising matter, or any property of a similar nature as it pertains to the Collateral or any other property of the Borrower, in storing, removing, transporting, manufacturing, advertising, selling or otherwise using the Collateral, and the Borrower's rights in and under such property shall inure to the Administrative Agent's benefit.

- (v) The proceeds realized from the sale of any Collateral may be applied, after the Administrative Agent is in receipt of good funds, in accordance with Section 4.10. If any deficiency shall

arise, the Borrower shall remain liable to the Administrative Agent therefor. Any surplus remaining after payment in full of the Obligations will be returned to the Borrower or to whomever may be legally entitled thereto.

SECTION 11.03. Rights and Remedies Cumulative; Non-Waiver; Etc.

The enumeration of the rights and remedies of the Administrative Agent and the Lenders set forth in this Agreement is not intended to be exhaustive, and the exercise by the Administrative Agent and the Lenders of any right or remedy shall not preclude the exercise of any other rights or remedies, all of which shall be cumulative, and shall be in addition to any other right or remedy given hereunder or under the Credit Documents or that may now or hereafter exist in law or in equity or by suit or otherwise. No delay or failure to take action on the part of the Administrative Agent or any Lender in exercising any right, power or privilege shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or privilege preclude other or further exercise thereof or the exercise of any other right, power or privilege or shall be construed to be a waiver of any Event of Default. No course of dealing between the Borrower, the Administrative Agent and the Lenders or their respective agents or employees shall be effective to change, modify or discharge any provision of this Agreement or any of the other Credit Documents or to constitute a waiver of any Event of Default.

ARTICLE XII

THE ADMINISTRATIVE AGENT

SECTION 12.01. Appointment.

Each of the Lenders hereby irrevocably designates and appoints First Union as Administrative Agent of such Lender under this Agreement and the other Credit Documents for the term hereof and each such Lender irrevocably authorizes First Union as Administrative Agent for such Lender, to take such action on its behalf under the provisions of this Agreement and the other Credit Documents and to exercise such powers and perform such duties as are expressly delegated to the Administrative Agent by the terms of this Agreement and such other Credit Documents, together with such other powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary elsewhere in this Agreement or such other Credit Documents, the Administrative Agent shall not have any duties or responsibilities, except those expressly set forth herein and therein, or any fiduciary relationship with any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or the other Credit Documents or otherwise exist against the Administrative Agent. Any reference to the Administrative Agent in this Article XII shall be deemed to refer to the Administrative Agent solely in its capacity as Administrative Agent and not in its capacity as a Lender.

SECTION 12.02. Delegation of Duties.

The Administrative Agent may execute any of its respective duties under this Agreement and the other Credit Documents by or through agents or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. The Administrative Agent shall not be responsible for the negligence or misconduct of any agents or attorneys-in-fact selected by the Administrative Agent with reasonable care.

SECTION 12.03. Exculpatory Provisions.

Neither the Administrative Agent nor any of its officers, directors, employees, agents, attorneys-in-fact, Subsidiaries or Affiliates shall be (a) liable for any action lawfully taken or omitted to be taken by it or such Person under or in connection with this Agreement or the other Credit Documents (except for actions occasioned solely by its or such Person's own gross negligence or willful misconduct), or (b) responsible in any manner to any of the Lenders for any recitals, statements, representations or warranties made by any Credit Party, or by any officer thereof, contained in this Agreement or the other Credit Documents or in any certificate, report, statement or other document referred to or provided for in, or received by the Administrative Agent under or in connection with, this Agreement or the other Credit Documents or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or the other Credit Documents or for any failure of any Credit Party to perform its obligations hereunder or thereunder. The Administrative Agent shall not be under any obligation to any Lender to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement, or to inspect the properties, books or records of the Borrower or any of its Subsidiaries.

SECTION 12.04. Reliance by the Administrative Agent.

The Administrative Agent shall be entitled to rely upon, and shall be fully protected in relying upon, any note, writing, resolution, notice, consent, certificate, affidavit, letter, cablegram, telegram, telecopy, telex or teletype message, statement, order or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including, without limitation, counsel to the Borrower), independent accountants and other experts selected by the Administrative Agent. The Administrative Agent may deem and treat the payee of any Note as the owner thereof for all purposes unless such Note shall have been transferred in accordance with Section 13.10. The

Administrative Agent shall be fully justified in failing or refusing to take any action under this Agreement and the other Credit Documents unless it shall first receive such advice or concurrence of the Required Lenders (or, when expressly required hereby or by the relevant other Credit Document, all the Lenders) as it deems appropriate or it shall first be indemnified to its satisfaction by the Lenders against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action except for its own gross negligence or willful misconduct. The Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement and the Notes in accordance with a request of the Required Lenders (or, when expressly required hereby, all the Lenders), and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Lenders and all future holders of the Notes.

SECTION 12.05. Notice of Default.

The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default hereunder unless it has received written notice from a Lender or the Borrower referring to this Agreement, describing such Default or Event of Default and stating that such notice is a "notice of default." In the event that the Administrative Agent receives such a notice, it shall promptly give notice thereof to the Lenders. The Administrative Agent shall take such action with respect to such Default or Event of Default as shall be reasonably directed by the Required Lenders (or, when expressly required hereby, all the Lenders); provided that unless and until

the Administrative Agent shall have received such directions, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable in the best interests of the Lenders, except to the extent that other provisions of this Agreement expressly require that any such action be taken or not be taken only with the consent and authorization or the request of the Lenders or Required Lenders, as applicable.

SECTION 12.06. Non-Reliance on the Administrative Agent and Other Lenders.

Each Lender expressly acknowledges that neither the Administrative Agent nor any of its respective officers, directors, employees, agents, attorneys-in-fact, Subsidiaries or Affiliates has made any representations or warranties to it and that no act by the Administrative Agent hereinafter taken, including any review of the affairs of the Borrower or any of its Subsidiaries, shall be deemed to constitute any representation or warranty by the Administrative Agent to any Lender. Each Lender represents to the Administrative Agent that it has, independently and without reliance upon the Administrative Agent or any other Lender, and based on such

documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, operations, property, financial and other condition and creditworthiness of the Borrower and its Subsidiaries and made its own decision to make its Loans and issue or participate in Letter of Credit hereunder and enter into this Agreement. Each Lender also represents that it will, independently and without reliance upon the Administrative Agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Credit Documents, and to make such investigation as it deems necessary to inform itself as to the business, operations, property, financial and other condition and creditworthiness of the Borrower and its Subsidiaries. Except for notices, reports and other documents expressly required to be furnished to the Lenders by the Administrative Agent hereunder or by the other Credit Documents, the Administrative Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the business, operations, property, financial and other condition or creditworthiness of the Borrower or any of its Subsidiaries which may come into the possession of the Administrative Agent or any of its respective officers, directors, employees, agents, attorneys-in-fact, Subsidiaries or affiliates.

SECTION 12.07. Indemnification.

The Lenders agree to indemnify the Administrative Agent, in its capacity as such (to the extent not reimbursed by the Borrower and without limiting the obligation of the Borrower to do so), ratably according to the respective amounts of their Commitment Percentages, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind whatsoever which may at any time (including, without limitation, at any time following the payment of the Notes or any Reimbursement Obligation) be imposed on, incurred by or asserted against the Administrative Agent in any way relating to or arising out of this Agreement or the other Credit Documents, or any documents contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby or any action taken or omitted by the Administrative Agent under or in connection with any of the foregoing; provided that no Lender shall be liable for the payment of

any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting solely from the Administrative Agent's bad faith, gross negligence or willful misconduct. The agreements in this Section 12.07 shall survive the payment of

the Notes, any Reimbursement Obligation and all other amounts payable hereunder and the termination of this Agreement.

SECTION 12.08. The Administrative Agent in Its Individual Capacity.

The Administrative Agent and its respective Subsidiaries and Affiliates may make loans to, accept deposits from and generally engage in any kind of business with the Borrower and its Subsidiaries and Affiliates as though the Administrative Agent were not an Administrative Agent hereunder. With respect to any Loans made or renewed by it and any Note issued to it and with respect to any Letter of Credit issued by it or participated in by it, the Administrative Agent shall have the same rights and powers under this Agreement and the other Credit Documents as any Lender and may exercise the same as though it were not an Administrative Agent, and the terms "Lender" and "Lenders" shall include the Administrative Agent in its individual capacity.

SECTION 12.09. Resignation of the Administrative Agent; Successor

Administrative Agent.

Subject to the appointment and acceptance of a successor as provided below, the Administrative Agent may resign at any time or, at the request of the Required Lenders, shall resign, by giving notice thereof to the Lenders and the Borrower. Upon any such resignation, the Required Lenders shall have the right to appoint a successor Administrative Agent, which successor shall have minimum capital and surplus of at least \$500,000,000. If no successor Administrative Agent shall have been so appointed by the Required Lenders and shall have accepted such appointment within thirty (30) days after the Administrative Agent's giving of notice of resignation, then the Administrative Agent may, on behalf of the Lenders, appoint a successor Administrative Agent, which successor shall have minimum capital and surplus of at least \$500,000,000. Upon the acceptance of any appointment as Administrative Agent hereunder by a successor Administrative Agent, such successor Administrative Agent shall thereupon succeed to and become vested with all rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. After any retiring Administrative Agent's resignation hereunder as Administrative Agent, the provisions of this Section 12.09 shall continue in effect for its benefit in

respect of any actions taken or omitted to be taken by it while it was acting as Administrative Agent.

SECTION 12.10. Collateral Matters.

(a) The Administrative Agent is authorized on behalf of all the Lenders without the necessity of any notice to or further consent from the Lenders, from time to time to take any action with respect to any Collateral or the Credit Documents which may be necessary to perfect and maintain perfected the security interest in and Liens upon the Collateral granted pursuant to the Credit Documents.

(b) The Lenders irrevocably authorize the Administrative Agent, at its option and in its discretion, to authorize the release of any Lien granted for the benefit of the Administrative Agent and the Lenders upon any Collateral (i) upon termination of the Commitments and payment in full of all Loans and all other Obligations known to the Administrative Agent and payable under this Agreement or any other Credit Document; (ii) constituting property sold or to be sold or disposed of as part of or in connection with any disposition permitted hereunder; (iii) consisting of an instrument evidencing Debt or other debt instrument, if the indebtedness evidenced thereby has been paid in full; or (iv) if approved, authorized or ratified in writing by the Required Lenders or all the Lenders, as the case may be, as provided in Section 13.11. Upon request by

the Administrative Agent at any time, the Lenders will confirm in writing the Administrative Agent's authority to authorize the release of particular types or items of Collateral pursuant to this Section 12.10(b).

ARTICLE XIII

MISCELLANEOUS

SECTION 13.01. Notices.

(a) Method of Communication. Except as otherwise provided in this

Agreement, all notices and communications hereunder shall be in writing, or by telephone subsequently confirmed in writing. Any notice shall be effective if delivered by hand delivery or sent via telecopy, recognized overnight courier service or certified mail, return receipt requested, and shall be presumed to be received by a party hereto (i) on the date of delivery if delivered by hand or sent by telecopy, (ii) on the next Business Day if sent by recognized overnight courier service and (iii) on the third Business Day following the date sent by certified mail, return receipt requested. A telephonic notice to the Administrative Agent as understood by the Administrative Agent will be deemed to be the controlling and proper notice in the event of a discrepancy with or failure to receive a confirming written notice.

(b) Addresses for Notices. Notices to any party shall be sent to it at

the following addresses, or any other address as to which all the other parties are notified in writing.

If to the Borrower: Inergy Propane, LLC
1101 Walnut, Suite 1500
Kansas City, Missouri 64106
Attention: John J. Sherman
Telephone No.: 816-842-8181
Telecopy No.: 816-842-1904

With copies to: Stinson, Mag & Fizzell
1201 Walnut Street
P. O. Box 419251
Kansas City, Missouri 64141-6251
Attention: Paul McLaughlin, Esq.
Telephone No.: 816-691-3256
Telecopy No.: 816-691-3495

If to First Union as Administrative Agent: First Union National Bank
One First Union Center, TW-4
201 South College Street
Charlotte, North Carolina 28288-0608
Attn: Syndication Agency Services
Telephone No.: 704-383-7698
Telecopy No.: 704-383-0288

With copies to: First Union National Bank
One First Union Center, DC-5
301 South College Street
Charlotte, North Carolina 28288-0251
Attn: Joe K. Dancy
Telephone No.: 704-383-4748
Telecopy No.: 704-374-2570

With copies to: Parker, Poe, Adams & Bernstein L.L.P.
Three First Union Center
Suite 3000
401 South Tryon Street
Charlotte, North Carolina 28202
Attention: Paul S. Donohue, Esq.
Telephone No.: 704-335-9866
Telecopy No.: 704-334-4706

If to any Lender: To the Address set forth on Schedule 1.01B hereto.

(c) Administrative Agent's Office. The Administrative Agent hereby

designates its office located at the address set forth above, or any subsequent office which shall have been specified for such purpose by written notice to the Borrower and the Lenders, as the Administrative Agent's Office referred to herein, to which payments due are to be made and at which Loans will be disbursed and Letters of Credit issued.

SECTION 13.02. Expenses; Indemnity.

The Borrower will (a) pay all out-of-pocket expenses of the Administrative Agent in connection with: (i) the preparation, execution and delivery of this Agreement and each other Credit Document, whenever the same shall be executed and delivered, including without limitation all out-of-pocket syndication and due diligence expenses and reasonable fees and disbursements of counsel for the Administrative Agent and (ii) the preparation, execution and delivery of any waiver, amendment or consent by the Administrative Agent or the Lenders relating to this Agreement or any other Credit Document, including without limitation reasonable fees and disbursements of counsel for the Administrative Agent; (b) pay all out-of-pocket expenses of the Administrative Agent and the Lenders in connection with the administration and enforcement of any rights and remedies of the Administrative Agent and Lenders under the Credit Facilities, including consulting with appraisers, accountants, engineers, attorneys and other Persons concerning the nature, scope or value of any right or remedy of the Administrative Agent or any Lender hereunder or under any other Credit Document or any factual matters in connection therewith, which expenses shall include without limitation the reasonable fees and disbursements of such Persons; and (c) defend, indemnify and hold harmless the Administrative Agent and the Lenders, and their respective parents, Subsidiaries, Affiliates, employees, agents, officers and directors, from and against any losses, penalties, fines, liabilities, settlements, damages, costs and expenses, suffered by any such Person in connection with any claim, investigation, litigation or other proceeding (whether or not the Administrative Agent or any Lender is a party thereto) and the prosecution and defense thereof, arising out of or in any way

connected with the Agreement, any other Credit Document or the Loans, including without limitation reasonable attorney's and consultant's fees, except to the extent that any of the foregoing directly result from the gross negligence or willful misconduct of the party seeking indemnification therefor.

SECTION 13.03. Set-off.

In addition to any rights now or hereafter granted under Applicable Law and not by way of limitation of any such rights, upon and after the occurrence of any Event of Default and during the continuance thereof, the Lenders and any assignee or participant of a Lender in accordance with Section 13.10 are hereby

authorized by the Borrower at any time or from time to time, without notice to the Borrower or to any other Person, any such notice being hereby expressly waived, to set off and to appropriate and to apply any and all deposits (general or special, time or demand, including, but not limited to, indebtedness evidenced by certificates of deposit, whether matured or unmatured) and any other indebtedness at any time held or owing by the Lenders, or any such assignee or participant to or for the credit or the account of the Borrower against and on account of the Obligations irrespective of whether or not (a) the Lenders shall have made any demand under this Agreement or any of the other Credit Documents or (b) the Administrative Agent shall have declared any or all of the Obligations to be due and payable as permitted by Section 11.02 and

although such Obligations shall be contingent or unmatured. Notwithstanding the preceding sentence, each Lender agrees to notify the Borrower and the Administrative Agent after any such set-off and application; provided, that the

failure to give such notice shall not affect the validity of such set-off and application.

SECTION 13.04. Governing Law.

This Agreement, the Notes and the other Credit Documents, unless otherwise expressly set forth therein, shall be governed by, construed and enforced in accordance with the laws of the State of Missouri.

SECTION 13.05. Consent to Jurisdiction.

The Borrower (i) submits to personal jurisdiction in the State of North Carolina, the courts thereof and the United States District Courts sitting therein, for the enforcement of this Agreement and the other Credit Documents and (ii) waives any and all personal rights under the law of any jurisdiction to object on any basis (including, without limitation, inconvenience of forum) to jurisdiction or venue within the State of North Carolina for the purpose of litigation to enforce this Agreement and the other Credit Documents. The Borrower hereby irrevocably consents to the service of a summons and complaint and other process in any action, claim or proceeding brought by the Administrative Agent or any Lender in connection with this Agreement, the Notes or the other Credit Documents, any rights or obligations hereunder or thereunder, or the performance of such rights and obligations, on behalf of itself or its property, in the manner specified in Section 13.01. Nothing in

this Section 13.05 shall affect the right of the Administrative Agent or any

Lender to serve legal process in any other manner permitted by Applicable Law or affect the right of the Administrative Agent or any Lender to bring any action or proceeding against the Borrower or its properties in the courts of any other jurisdictions.

SECTION 13.06. WAIVER OF JURY TRIAL.

TO THE EXTENT PERMITTED BY APPLICABLE LAW, THE ADMINISTRATIVE AGENT, EACH LENDER AND THE BORROWER HEREBY IRREVOCABLY WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL WITH RESPECT TO ANY ACTION, CLAIM OR OTHER PROCEEDING ARISING OUT OF ANY DISPUTE IN CONNECTION WITH THIS AGREEMENT, THE NOTES OR THE OTHER CREDIT DOCUMENTS, ANY RIGHTS OR OBLIGATIONS HEREUNDER OR THEREUNDER, OR THE PERFORMANCE OF SUCH RIGHTS AND OBLIGATIONS.

SECTION 13.07. Reversal of Payments.

To the extent the Borrower makes a payment or payments to the Administrative Agent for the ratable benefit of the Lenders or the Administrative Agent receives any payment or proceeds of the collateral which payments or proceeds or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside and/or required to be repaid to a trustee, receiver or any other party under any bankruptcy law, state or federal law, common law or equitable cause, then, to the extent of such payment or proceeds repaid, the Obligations or part thereof intended to be satisfied shall be revived and continued in full force and effect as if such payment or proceeds had not been received by the Administrative Agent.

SECTION 13.08. Injunctive Relief; Punitive Damages.

The Borrower recognizes that, in the event the Borrower fails to perform, observe or discharge any of its obligations or liabilities under this Agreement, any remedy of law may prove to be inadequate relief to the Lenders. Therefore, the Borrower agrees that the Lenders, at the Lenders' option, shall be entitled to temporary and permanent injunctive relief in any such case without the necessity of proving actual damages.

(a) The Administrative Agent, the Lenders and the Borrower (on behalf of itself and its Subsidiaries) hereby agree that no such Person shall have a remedy of punitive or exemplary damages against any other party to a Loan Document and each such Person hereby waives any right or claim to punitive or exemplary damages that they may now have or may arise in the future in connection with any dispute, whether such dispute is resolved through arbitration or judicially.

(b) The parties agree that they shall not have a remedy of punitive or exemplary damages against any other party in any dispute and hereby waive any right or claim to punitive or exemplary damages they have now or which may arise in the future in connection with any dispute whether the dispute is resolved by arbitration or judicially.

SECTION 13.09. Accounting Matters.

All financial and accounting calculations, measurements and computations made for any purpose relating to this Agreement and the other Credit Documents, including, without limitation, all computations utilized by Inergy, L.P., the Borrower or any of its Subsidiaries to determine compliance with any covenant contained herein or therein, shall, except as otherwise expressly contemplated hereby or unless there is an express written direction by the

Administrative Agent to the contrary agreed to by the Borrower, be performed in accordance with GAAP as in effect on the Closing Date. In the event that changes in GAAP shall be mandated by the Financial Accounting Standards Board, or any similar accounting body of comparable standing, or shall be recommended by the Borrower's certified public accountants, to the extent that such changes would modify such accounting terms or the interpretation or computation thereof, such changes shall be followed in defining such accounting terms only from and after the date the Borrower and the Required Lenders shall have amended this Agreement to the extent necessary to reflect any such changes in the financial covenants and other terms and conditions of this Agreement.

SECTION 13.10. Successors and Assigns; Participations.

(a) Benefit of Agreement. This Agreement shall be binding upon and inure

to the benefit of the Borrower, the Administrative Agent and the Lenders, all future holders of the Notes, and their respective successors and assigns, except that the Borrower shall not assign or transfer any of its rights or obligations under this Agreement without the prior written consent of each Lender.

(b) Assignment by Lenders. Each Lender may, with the consent of the

Administrative Agent and the Borrower, which consents shall not be unreasonably withheld and not required of the Borrower upon the occurrence and continuation of a Default or Event of Default, assign to one or more Eligible Assignees all or a portion of its interests, rights and obligations under this Agreement and the other Credit Documents (including, without limitation, all or a portion of the Extensions of Credit at the time owing to it and the Notes held by it); provided that:

-
- (i) each such assignment shall be of a constant, and not a varying, percentage of all the assigning Lender's rights and obligations under this Agreement;
 - (ii) if less than all of the assigning Lender's Commitment is to be assigned, the Commitment so assigned shall not be less than \$5,000,000;
 - (iii) the parties to each such assignment shall execute and deliver to the Administrative Agent, for its acceptance and recording in the Register, an Assignment and Acceptance in the form of Exhibit H hereto (an "Assignment and Acceptance"), together with

any Note or Notes subject to such assignment;
 - (iv) such assignment shall not, without the consent of the Borrower, require the Borrower to file a registration statement with the Securities and Exchange Commission or apply to or qualify the Loans or the Notes under the blue sky laws of any state;
 - (v) no consent of the Borrower or the Administrative Agent shall be required for an assignment to an affiliate or Subsidiary of the assigning Lender; and
 - (vi) the assigning Lender shall pay to the Administrative Agent an assignment fee of \$3,000 upon the execution by such Lender of the Assignment and

Acceptance; provided that no such fee shall be payable upon any

assignment by a Lender to an Affiliate thereof.

Upon such execution, delivery, acceptance and recording, from and after the effective date specified in each Assignment and Acceptance, which effective date shall be at least five (5) Business Days after the execution thereof, (A) the assignee thereunder shall be a party hereto and, to the extent provided in such Assignment and Acceptance, have the rights and obligations of a Lender hereby and (B) the Lender thereunder shall, to the extent provided in such assignment, be released from its obligations under this Agreement.

(c) Rights and Duties Upon Assignment. By executing and delivering an

Assignment and Acceptance, the assigning Lender thereunder and the assignee thereunder confirm to, and agree with, each other and the other parties hereto as set forth in such Assignment and Acceptance.

(d) Register. The Administrative Agent shall maintain a copy of each

Assignment and Acceptance delivered to it and a register for the recordation of the names and addresses of the Lenders and the amount of the Extensions of Credit with respect to each Lender from time to time (the "Register"). The entries in the Register shall be conclusive, in the absence of manifest error, and the Borrower, the Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register as a Lender hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Borrower or the Lenders at any reasonable time and from time to time upon reasonable prior notice.

(e) Issuance of New Notes. Upon its receipt of an Assignment and

Acceptance executed by an assigning Lender and an Eligible Assignee together with any Note or Notes subject to such assignment and the written consent to such assignment, the Administrative Agent shall, if such Assignment and Acceptance has been completed and is substantially in the form of Exhibit H hereto:

- (i) accept such Assignment and Acceptance;
- (ii) record the information contained therein in the Register;
- (iii) give prompt notice thereof to the Lenders and the Borrower; and
- (iv) promptly deliver a copy of such Assignment and Acceptance to the Borrower.

Within five (5) Business Days after receipt of notice, the Borrower shall execute and deliver to the Administrative Agent, in exchange for the surrendered Note or Notes, a new Note or Notes to the order of such Eligible Assignee in amounts equal to the Commitment assumed by such Eligible Assignee pursuant to such Assignment and Acceptance and a new Note or Notes to the order of the assigning Lender in an amount equal to the Commitment retained by it hereunder. Such new Note or Notes shall be in an aggregate principal amount equal to the aggregate principal amount of such surrendered Note or Notes, shall be dated the effective date of such Assignment and Acceptance and shall otherwise be in substantially the form of the assigned

Notes delivered to the assigning Lender. Each surrendered Note or Notes shall be canceled and returned to the Borrower.

(f) Participations. Each Lender may sell participations to one or more

banks or other entities in all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Extensions of Credit and the Notes held by it); provided that:

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- (i) each such participation shall be in an amount not less than \$2,000,000;
 - (ii) such Lender's obligations under this Agreement (including, without limitation, its Commitment) shall remain unchanged;
 - (iii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations;
 - (iv) such Lender shall remain the holder of the Notes held by it for all purposes of this Agreement;
 - (v) the Borrower, the Administrative Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement;
 - (vi) such Lender shall not permit such participant the right to approve any waivers, amendments or other modifications to this Agreement or any other Loan Document other than waivers, amendments or modifications which would reduce the principal of or the interest rate on any Loan or Reimbursement Obligation, extend the term or increase the amount of the Commitment, reduce the amount of any fees to which such participant is entitled, extend any scheduled payment date for principal of any Loan or, except as expressly contemplated hereby or thereby, release substantially all of the Collateral; and
 - (vii) any such disposition shall not, without the consent of the Borrower, require the Borrower to file a registration statement with the Securities and Exchange Commission to apply to qualify the Loans or the Notes under the blue sky law of any state.

(g) Disclosure of Information; Confidentiality. The Administrative Agent

and the Lenders shall hold all non-public information with respect to the Borrower obtained pursuant to the Credit Documents in accordance with their customary procedures for handling confidential information; provided, that the Administrative Agent may disclose information relating to this Agreement to Gold

Sheets and other similar bank trade publications, such information to consist of

deal terms and other information customarily found in such publications, and provided further, that the Administrative Agent and Lenders may disclose any such information to the extent such disclosure is required by law or requested by any regulatory authority. Any Lender may, in connection with any assignment, proposed assignment, participation or proposed participation pursuant to this Section 13.10, disclose to the assignee, participant,

proposed assignee or proposed participant, any information relating to the Borrower furnished to such Lender by or on behalf of the Borrower; provided,

that prior to any such disclosure, each such assignee, proposed assignee, participant or proposed participant shall agree with the Borrower or such Lender to preserve the confidentiality of any confidential information relating to the Borrower received from such Lender.

(h) Certain Pledges or Assignments. Nothing herein shall prohibit any

Lender from pledging or assigning any Note to any Federal Reserve Bank in accordance with Applicable Law.

SECTION 13.11. Amendments, Waivers and Consents.

Except as set forth below or as specifically provided in any Credit Document, any term, covenant, agreement or condition of this Agreement or any of the other Credit Documents may be amended or waived by the Lenders, and any consent given by the Lenders, if, but only if, such amendment, waiver or consent is in writing signed by the Required Lenders (or by the Administrative Agent with the consent of the Required Lenders) and delivered to the Administrative Agent and, in the case of an amendment, signed by the Borrower; provided, that

no amendment, waiver or consent shall:

(a) increase the amount or extend the time of the obligation of the Lenders to make Loans or issue or participate in Letters of Credit (including without limitation pursuant to Section 3.05);

(b) reduce or forgive the principal amount of any Loan or Reimbursement Obligation;

(c) extend the originally scheduled time or times of payment of the principal of any Loan or Reimbursement Obligation or the time or times of payment of interest on any Loan;

(d) reduce the rate of interest or fees payable on any Loan or Reimbursement Obligation or any fee or commission with respect thereto;

(e) permit any subordination of the principal or interest on any Loan or Reimbursement Obligation;

(f) permit any assignment (other than as specifically permitted or contemplated in this Agreement) of the Borrower's rights and obligations hereunder;

(g) terminate or cancel any Guaranty Agreement, Pledge Agreement, Security Agreement or Mortgage or release Energy, L.P. or any Subsidiary Guarantor from their respective obligations under a Guaranty Agreement;

(h) release all or substantially all of the Collateral; or

(i) amend the provisions of Section 13.10(a), this Section 13.11 or the definition of Required Lenders, without the prior written consent of each Lender. In addition, no amendment, waiver or consent to the provisions of (a) Article XII shall be made without the

written consent of the Administrative Agent and (b) Article III shall be made without the written consent of the Issuing Lender.

Notwithstanding anything to the contrary set forth above, the Administrative Agent may, without the consent of any of the Lenders, revise, amend, modify, restate and/or replace any Guaranty Agreement, Pledge Agreement, Security Agreement or Mortgage to provide that same shall equally and ratably guaranty or secure, as the case may be, in favor of the Collateral Agent for the benefit of (i) the Administrative Agent and the Lenders and (ii) the holders of the Private Placement Debt, the Obligations under the Credit Documents and the Private Placement Debt, provided that the Administrative Agent, on behalf of itself and

the Lenders, shall have entered into the Intercreditor Agreement with the Collateral Agent and the holders of the Private Placement Debt. Each of the Lenders hereby authorizes the Administrative Agent to enter into the Intercreditor Agreement on behalf of such Lender.

SECTION 13.12. Absolute and Unconditional Liability.

To the fullest extent permitted by law, the Borrower hereby waives promptness, diligence, note of acceptance, and any other notice of any nature whatsoever with respect to any of the Obligations, and any requirement that the Administrative Agent protect, secure, perfect or insure any security interest or lien or any property subject thereto or exhaust any right take any action against any Guarantor, any other Person or any Collateral. The liability of the Borrower under this Section shall be absolute and unconditional irrespective of: (a) any change in the time, manner or place of payment of, or in any other term of, any of the Obligations, or any other amendment or waiver of or any consent to departure from this Agreement, any of the Notes or any of the other Credit Documents; (b) any exchange, release or non-perfection of any Collateral or any release or amendment or waiver of or consent to departure from any other guaranty, or any release of any Person liable in whole or in part, for all or any of the Obligations; or (c) any other circumstance which might otherwise constitute a defense available to, or discharge of, the Borrower, a guarantor or a surety.

SECTION 13.13. Effective Date; Amended and Restated Credit Facility.

(a) The Credit Parties, the Administrative Agent and the Lenders each hereby agree that this Amendment shall not be effective and shall not amend and restate the Existing Credit Agreement until the Effective Date. Prior to the Effective Date, the Credit Parties shall be subject to the terms and conditions of the Existing Credit Agreement. On the Effective Date, this Agreement shall be effective without any further action required by the Credit Parties, the Administrative Agent or the Lenders.

(b) This Agreement amends and restates the Existing Credit Agreement in its entirety, as of the Effective Date. It is the intention and understanding of the parties hereto that (i) this Agreement shall act as a refinancing of the Debt and other obligations evidenced by the Existing Credit Agreement and that this Agreement shall not act as a novation of such Debt and other obligations, (ii) subject to subsection (b) below, all Liens securing the Debt and other obligations evidenced by the Existing Credit Agreement remain in full force and effect and secure all Debt and all other Obligations now or hereafter evidenced by or incurred under this Agreement or any of the other Credit Documents, and (iii) subject to subsection (b) below, the

priority of all Liens securing the Debt and other obligations evidenced by the Existing Credit Agreement shall not be impaired by the execution, delivery or performance of this Agreement or the other Credit Documents. The principal amount of loans outstanding under the Existing Credit Agreement owed to the Lenders that are "Lenders" under this Agreement shall be allocated among the Facilities as such Lenders and the Administrative Agent may agree.

(c) The Lenders consent to, and hereby ratify, the actions taken by the Administrative Agent to release and terminate certain Liens previously securing the obligations evidenced by the Existing Credit Agreement, on those properties and interests that are no longer included in the Collateral that secures the Obligations.

SECTION 13.14. Performance of Duties.

The Borrower's obligations under this Agreement and each of the Credit Documents shall be performed by the Borrower at its sole cost and expense.

SECTION 13.15. All Powers Coupled with Interest.

All powers of attorney and other authorizations granted to the Lenders, the Administrative Agent and any Persons designated by the Administrative Agent or any Lender pursuant to any provisions of this Agreement or any of the other Credit Documents shall be deemed coupled with an interest and shall be irrevocable so long as any of the Obligations remain unpaid or unsatisfied or the Credit Facilities have not been terminated.

SECTION 13.16. Survival of Indemnities.

Notwithstanding any termination of this Agreement, the indemnities to which the Administrative Agent and the Lenders are entitled under the provisions of this Article XIII and any other provision of this Agreement and the Credit Documents shall continue in full force and effect and shall protect the Administrative Agent and the Lenders against events arising after such termination as well as before.

SECTION 13.17. Titles and Captions.

Titles and captions of Articles, Sections and subsections in, and the table of contents of, this Agreement are for convenience only, and neither limit nor amplify the provisions of this Agreement.

SECTION 13.18. Severability of Provisions.

Any provision of this Agreement or any other Credit Document which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective only to the extent of such prohibition or unenforceability without invalidating the remainder of such provision or the remaining provisions hereof or thereof or affecting the validity or enforceability of such provision in any other jurisdiction.

SECTION 13.19. Counterparts.

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 shall be binding upon all parties, their successors and assigns, and all of which taken together shall constitute one and the same agreement.

SECTION 13.20. Term of Agreement.

This Agreement shall remain in effect from the Closing Date through and including the date upon which all Obligations shall have been indefeasibly and irrevocably paid and satisfied in full and all Commitments shall have been terminated. No termination of this Agreement shall affect the rights and obligations of the parties hereto arising prior to such termination or in respect of any provision of this Agreement which survives such termination.

SECTION 13.21. Inconsistencies with Other Documents; Independent Effect of Covenants.

(a) In the event there is a conflict or inconsistency between this Agreement and any other Credit Document, the terms of this Agreement shall control.

(b) The Borrower expressly acknowledges and agrees that each covenant contained in Articles VIII, IX or X shall be given independent effect. Accordingly, the Borrower shall not engage in any transaction or other act otherwise permitted under any covenant contained in Articles VIII, IX or X if, before or after giving effect to such transaction or act, the Borrower shall or would be in breach of any other covenant contained in Articles VIII, IX or X.

SECTION 13.22. Mo.Rev.Stat. (S)432.045 Required Notice.

The following statement is given pursuant to Mo.Rev.Stat. (S)432.045: "ORAL AGREEMENTS OR COMMITMENTS TO LOAN MONEY, EXTEND CREDIT OR TO FORBEAR FROM ENFORCING REPAYMENT OF A DEBT INCLUDING PROMISES TO EXTEND OR RENEW SUCH DEBT ARE NOT ENFORCEABLE. TO PROTECT YOU (BORROWER(S)) AND US (CREDITOR) FROM MISUNDERSTANDING OR DISAPPOINTMENT, ANY AGREEMENTS WE REACH COVERING SUCH MATTERS ARE CONTAINED IN THIS WRITING, WHICH IS THE COMPLETE AND EXCLUSIVE STATEMENT OF THE AGREEMENT BETWEEN US, EXCEPT AS WE MAY LATER AGREE IN WRITING TO MODIFY IT."

[Signature pages to follow]

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

INERGY PROPANE, LLC

By: _____
John J. Sherman, Authorized Representative

FIRST UNION NATIONAL BANK,

as Administrative Agent, as Lender, as Swingline
Lender and as Issuing Lender

By: _____
Name: _____
Title: _____

FIRSTAR BANK, N.A. OVERLAND PARK,
(formerly known as Firstar Bank Midwest, N.A.),
as Syndication Agent and as Lender

By: _____
Name: _____
Title: _____

BANK OF OKLAHOMA, N.A., as Syndication Agent
and as Lender

By: _____
Name: _____
Title: _____

FIRST AMENDMENT TO EMPLOYMENT AGREEMENT

THIS FIRST AMENDMENT TO EMPLOYMENT AGREEMENT (this "Amendment"), is made and entered into this 19th day of July, 2001 by and between Inergy Partners, LLC, a Delaware limited liability company (the "Company"), and Phillip L. Elbert, an individual (the "Employee").

WHEREAS, the parties entered into that certain Employment Agreement, dated January 12, 2001 (the "Employment Agreement"); and

WHEREAS, the parties desire to amend the Employment Agreement as provided herein;

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

1. Additional Benefits. Section 4(b) of the Employment Agreement is

hereby amended to read in its entirety as follows:

(b) In the event that the Company effects the IPO (or at such earlier time as the Company may elect), effective immediately upon the IPO (or at such earlier time), the Company will have in place a key employee equity plan that the Employee will participate in, such that, assuming (i) the value of the units (or other securities pursuant to such key employee equity plan) grows at a fifteen percent (15%) annual rate (compounded annually) from the date of the IPO, and (ii) the Employee is employed by the Company continuously for a five (5)-year period from the date of the IPO (subject to the proviso below), the Employee would have equity value (computed as the difference between the value of the units (or other securities pursuant to the key employee equity plan) and the strike price) under such key employee equity plan equal to One Million Dollars (\$1,000,000) on the fifth anniversary date of the date of the IPO. The Employee will vest in full (with no partial vesting) on the fifth anniversary date of the IPO; provided, however, if Employee ceases to be employed by the Company by reason of his death or disability or by reason of the Company terminating his employment without cause, he or his legal representative shall have the right to exercise that portion of such option that is equal to the number of full years he was continuously employed since the IPO divided by five, so that by way of example, if Employee were continuously employed by the Company for two and one-half years after the IPO but at that time became disabled, he (or his legal representative) would have the right to exercise 40% of such option at any time prior to its expiration. Such option will expire ten years after the date of the IPO. In the event of an initial public offering ("IPO") of partnership units of a master limited partnership ("MLP") sponsored by the Company on or prior to August 31, 2001, the Employee's rights under this Section 4(b)

shall automatically terminate and in lieu thereof Employee shall be granted options to acquire 55,500 common

units of the MLP with an exercise price equal to the IPO price per common unit, all as may be subject to the provisions of such option agreement and/or plan of the MLP.

2. Entire Agreement. This Amendment and the Employment Agreement as

amended by this Amendment embody the entire agreement and understanding between the parties hereto and supersede any and all prior agreements and understandings between the parties hereto relating to the subject matter hereof.

3. Governing Law. This Amendment and all rights and obligations of

the parties hereunder shall be governed by, and construed and interpreted in accordance with, the laws of the State of Indiana applicable to agreements made and to be performed entirely within the State, including all matters of enforcement, validity and performance; provided, however, that to the extent any provision herein is deemed unenforceable in the State of Indiana, then this Amendment shall be governed by, and construed and interpreted in accordance with, the laws of the State of Delaware.

4. Counterparts. This Amendment may be executed in any number of

counterparts, all of which taken together shall constitute one agreement, and all of the parties hereto may execute this Amendment by signing any such counterpart.

IN WITNESS WHEREOF, the parties have executed this First Amendment to Employment Agreement as of the date set forth above.

ENERGY PARTNERS, LLC

By: /s/ John J. Sherman

John J. Sherman, President

/s/ Phillip L. Elbert

Phillip L. Elbert

FIRST AMENDMENT TO EMPLOYMENT AGREEMENT

THIS FIRST AMENDMENT TO EMPLOYMENT AGREEMENT (this "Amendment"), is made and entered into this 19th day of July, 2001 by and between Inergy Partners, LLC, a Delaware limited liability company (the "Company"), and R. Brooks Sherman Jr., an individual (the "Employee").

WHEREAS, the parties entered into that certain Employment Agreement, dated as of December 4, 2000 (the "Employment Agreement"); and

WHEREAS, the parties desire to amend the Employment Agreement as provided herein;

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

1. Additional Benefits. Section 4(b) of the Employment Agreement is

hereby amended to read in its entirety as follows:

(b) It is expected that during fiscal year 2001, the Company will have in place a key employee equity plan that the Employee will participate in, such that, assuming (i) the value of the units (or other securities pursuant to such key employee equity plan) grows at a fifteen percent (15%) annual rate (compounded annually) from the date of their issuance, and (ii) the Employee is employed by the Company continuously for a five (5)-year period from the date of such issuance, the Employee would have equity value (computed as the difference between the value of the units (or other securities pursuant to the key employee equity plan) and the strike price) under such key employee equity plan equal to Five Hundred Thousand Dollars (\$500,000) on the fifth anniversary date of such issuance. The Employee will vest in accordance with the provisions of such plan. In the event of an initial public offering ("IPO") of partnership units of a master limited partnership ("MLP") sponsored by the Company on or prior to August 31, 2001, the Employee's rights under this Section 4(b) shall automatically

terminate and in lieu thereof Employee shall be granted options to acquire 27,750 common units of the MLP with an exercise price equal to the IPO price per common unit, all as may be subject to the provisions of such option agreement and/or plan of the MLP.

2. Entire Agreement. This Amendment and the Employment Agreement as

amended by this Amendment embody the entire agreement and understanding between the parties hereto and supersede any and all prior agreements and understandings between the parties hereto relating to the subject matter hereof.

3. Governing Law. This Amendment and all rights and obligations of

the parties hereunder shall be governed by, and construed and interpreted in accordance with, the laws of the State of Missouri applicable to agreements made and to be performed entirely within

the State, including all matters of enforcement, validity and performance; provided, however, that to the extent any provision herein is deemed unenforceable in the State of Missouri, then this Amendment shall be governed by, and construed and interpreted in accordance with, the laws of the State of Delaware.

4. Counterparts. This Amendment may be executed in any number of ----- counterparts, all of which taken together shall constitute one agreement, and all of the parties hereto may execute this Amendment by signing any such counterpart.

IN WITNESS WHEREOF, the parties have executed this First Amendment to Employment Agreement as of the date set forth above.

INERGY PARTNERS, LLC

By: /s/ John J. Sherman

John J. Sherman, President

/s/ R. Brooks Sherman Jr.

R. Brooks Sherman Jr.

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement") is entered into this 21st day of May, 2001, by and between Energy Partners, LLC, a Delaware limited liability company (the "Company"), and Carl A. Hughes, an individual (the "Employee").

1. Employment. The Company agrees to employ the Employee and the

Employee agrees to be employed by the Company as the Vice President - Business Development of the Company upon the terms and conditions of this Agreement, commencing on the date hereof and continuing until terminated as provided in Section 11 below. The Employee shall report to the President of the Company.

2. Compensation. For all services rendered by the Employee to the

Company, the Company shall pay the Employee a salary at the annual rate of One Hundred Twenty-Five Thousand Dollars (\$125,000) (the "Salary") payable bi-monthly in arrears. Such Salary shall be reviewed from time to time by the Company but no less often than annually.

3. Expenses. The Company shall reimburse the Employee for all

ordinary and necessary expenses incurred and paid by the Employee in the course of the performance of the Employee's duties pursuant to this Agreement and consistent with the Company's policies in effect from time to time with respect to travel, entertainment and other business expenses, and subject to the Company's requirements with respect to the manner of approval and reporting of such expenses.

4. Additional Benefits.

(a) The Employee shall be eligible for such fringe benefits, if any, by way of insurance, hospitalization and vacations normally provided to other members of the executive management of the Company generally and such additional benefits as may be from time to time agreed upon in writing between the Employee and the Company.

(b) It is expected that during fiscal year 2001, the Company will have in place a key employee equity plan that the Employee will participate in, such that, assuming (i) the value of the units (or other securities pursuant to such key employee equity plan) grows at a fifteen percent (15%) annual rate (compounded annually) from the date of their issuance, and (ii) the Employee is employed by the Company continuously for a five (5)-year period from the date of such issuance, the Employee would have equity value (computed as the difference between the value of the units (or other securities pursuant to the key employee equity plan) and the strike price) under such key employee equity plan equal to Seven Hundred Thousand Dollars (\$700,000) on the fifth anniversary date of such issuance. The Employee will vest in accordance with the provisions of such plan. In the event of an initial public offering ("IPO") of partnership units of a master limited partnership ("MLP") sponsored by the Company on or prior to August 31, 2001, the Employee's rights under this Section 4(b) shall automatically

terminate and in lieu thereof Employee shall be granted options to acquire 38,850 common units of the MLP with an

exercise price equal to the IPO price per common unit, all as may be subject to the provisions of such option agreement and/or plan of the MLP.

(c) Subject to Section 4(d) below, the Company agrees to pay the

Employee certain performance bonuses based on targeted Operating Cash Flow (as defined below) for each fiscal year, beginning with the fiscal year beginning October 1, 2000. For each fiscal year during the term hereof the Company shall establish a targeted Operating Cash Flow for such fiscal year, and the Employee will receive a cash bonus to be paid within three months after the end of such fiscal year in the amount of: (i) \$75,000, if the Company has Operating Cash Flow equal to or greater than targeted Operating Cash Flow for such fiscal year but less than 110% of such targeted Operating Cash Flow; or (ii) \$100,000, if the Operating Cash Flow is equal to or greater than 110% of targeted Operating Cash Flow for such fiscal year but less than 120% of such targeted Operating Cash Flow for such year; or (iii) \$125,000, if the Company has Operating Cash Flow of equal to or greater than 120% of targeted Operating Cash Flow for such fiscal year. For purposes of this Section 4(c), "Operating Cash Flow" means

net income in accordance with generally accepted accounting principals plus (i) income taxes, (ii) interest, (iii) depreciation, and (iv) amortization of intangibles, to the extent used in computing such net income, and minus capital expenditures made to maintain and service existing business expended by the Company during the fiscal year in question. Notwithstanding the foregoing, in order to receive a bonus pursuant to this Section 4(c),

the Employee must have been continuously employed by the Company from the date hereof until the end of the relevant fiscal year.

(d) In the event that the Company effects the IPO, effective at the beginning of the fiscal year of the Company next succeeding such IPO, in lieu of any payments under Section 4(c) above, the Company agrees to pay

the Employee certain performance bonuses based on targeted Distributable Cash Flow ("DCF") (as defined below) for each fiscal year. For each fiscal year as to which there is to be a bonus under this Section 4(d), the

Company shall establish a targeted DCF, and the Employee will receive a cash bonus to be paid within three months after the end of such fiscal year in the amount of: (i) \$18,750, if the Company has DCF equal to or greater than 90% of targeted DCF for such fiscal year but less than 95% of targeted DCF during such fiscal year; (ii) \$37,500, if the Company has DCF equal to or greater than 95% of targeted DCF for such fiscal year but less than targeted DCF during such fiscal year; (iii) \$75,000, if the Company has DCF equal to or greater than targeted DCF for such fiscal year but less than 110% of targeted DCF for such fiscal year; (iv) \$100,000, if the Company has DCF equal to or greater than 110% of targeted DCF but less than 120% of targeted DCF during such fiscal year; or (v) \$125,000, if the Company has DCF equal to or greater than 120% of targeted DCF during such fiscal year. Notwithstanding the previous sentence, in order to be eligible to receive any bonus under the previous sentence for the relevant fiscal year the Company must have earned and paid for such year distributions on each outstanding unit of the Company in an amount equal to four (4) times the greater of (A) the minimum quarterly distribution as defined in the Partnership Agreement of the MLP effecting the IPO, and (B) the highest quarterly distribution previously paid by the MLP with respect to all its units. For purposes of this Section 4(d), Distributable Cash Flow shall

have the same meaning as such term (or any comparable term, such as "Available Cash") is defined in the

documents relating the MLP. Notwithstanding the foregoing, in order to receive a bonus pursuant to this Section 4(d), the Employee must have been

continuously employed by the Company from the date hereof until the end of the relevant fiscal year.

(e) It is anticipated by the parties hereto that in the event that the Company effects the IPO:

(i) The Company will receive Subordinated Units in the MLP that will have a yield equal to (but subordinated to) the yield on the publicly-traded common units;

(ii) At the expiration of the subordination period, the Subordinated Units will convert to common units of the MLP on a one-for-one basis and will receive distributions pro rata with all other common units;

(iii) The subordination period will terminate based on the performance of the MLP in achieving certain earnings and distribution levels.

In the event that the subordination period terminates with respect to all of the Subordinated Units, the Employee shall receive a cash bonus of Four Hundred Thousand Dollars (\$400,000), with such bonus to be paid within sixty (60) days after the date of such termination; provided, however, that the Company may in its discretion pay all or part of such bonus prior to the termination of the subordination period with respect to all of the Subordinated Units; provided, further, that in the event the Company makes such early payments to the Employee and the subordination period is not subsequently terminated, the Employee shall not be required to repay such amounts to the Company. Immediately upon a Change of Control (as defined below), within thirty (30) days of such Change of Control, the Company shall pay (A) the amount of the subordination bonus payable under this Section 4(e) to the extent unpaid, if such Change of Control results in the expiration of the subordination period, or (B) fifty percent (50%) of the amount of the subordination bonus to the extent unpaid, if such Change of Control does not result in the termination of the subordination bonus, with the balance of the subordination bonus to be paid pursuant to the previous sentence, or earlier in the event of a subsequent Change of Control that results in the termination of the subordination period. For purposes of this Section 4(e), a "Change of Control" shall have the same meaning as that term is used in the Inergy Long Term Incentive Plan.

Notwithstanding the foregoing, in order to receive a bonus with respect to the termination of the subordination period for all Subordinated Units, the Employee must have been continuously employed by the Company from the date hereof until the date of such termination. In the event the Employee's employment is terminated without Cause, as defined herein, prior to the full payment of the subordination bonus and a portion of the subordinated units have previously been converted, the Company shall pay to Employee an amount equal to Employee's total subordination bonus times a fraction equal to the number of all subordinated units of the MLP which have converted to common units divided by the total number of subordinated units issued by the MLP.

5. Duties. The Employee agrees that so long as he is employed

under this Agreement he will (i) to the satisfaction of the Company devote his best efforts and his entire business time to further properly the interests of the Company, (ii) at all times be subject to the Company's direction and control with respect to his activities on behalf of the Company, (iii) comply with all rules, orders and regulations of the Company, (iv) truthfully and accurately maintain and preserve such records and make all reports as the Company may require, and (v) fully account for all monies and other property of the Company of which he may from time to time have custody and deliver the same to the Company whenever and however directed to do so.

6. Disclosure and Assignment of Inventions.

(a) The Employee agrees that any Inventions (as hereinafter defined) that he, alone or with others, may conceive, develop, make or perfect, in whole or in part, during his employment by the Company which relate or pertain in any way to the existing or reasonably anticipated scope of the Company's or any subsidiary, parent or affiliate of the Company's business, or that he, alone or with others, may conceive, make or perfect in whole or in part, in the performance of the duties of his employment by the Company, shall be promptly and fully disclosed in writing immediately by the Employee to the Company (but to no other person or persons prior to procuring patents therefor). All of the right, title and interest in and to any Invention shall be and hereby is assigned exclusively to the Company or its nominee regardless of whether or not the conception, development, making or perfection of such Inventions involved the use of the Company's time, facilities or materials and regardless of where such Inventions may be conceived, made or perfected and shall become the sole property of the Company or its nominee. For purposes hereof, the term "Inventions" shall mean inventions, discoveries, ideas, concepts, systems, works, trade secrets, know-how, intellectual property, products, processes or improvements or modifications of current products, processes or designs, or methods of manufacture, distribution, management or otherwise (whether or not covered by or able to be covered by a patent or copyright).

(b) The Employee agrees to execute and deliver all documents and do all acts which the Company shall deem necessary or desirable to secure to the Company or its nominee the entire right, title and interest in and to said Inventions, including, without limitation, applications for any United States and/or Foreign Letters Patent or Certificates of Copyright Registration in the name of or for the benefit of the Company or, in the discretion of the Company, in the Employee's name, which patents and copyrights shall then be assigned by the Employee to the Company. Any document described above prepared and filed pursuant to this subsection shall be so prepared and filed at the Company's expense. The Employee hereby irrevocably appoints the President of the Company as his attorney-in-fact with authority to execute for him and on his behalf any and all assignments, patent or copyright applications, or other instruments and documents required to be executed by the Employee pursuant to this subsection, if the Employee is unwilling or unable to execute same.

(c) The Company shall have no obligation to use, attempt to protect by application for Letters Patent or Certificates of Copyright Registration or promote any of

said Inventions; provided, however, that the Company, in its sole discretion, may reward the Employee for any especially meritorious contributions in any manner it deems appropriate or may provide the Employee with full or partial releases as to any subject matter contributed by the Employee in which the Company is not interested.

7. Covenant Not to Disclose Confidential Information. The Employee

acknowledges that during the course of his employment with the Company he has or will have access to and knowledge of certain information and data which the Company or any subsidiary, parent or affiliate of the Company considers confidential and that the release of such information or data to unauthorized persons would be extremely detrimental to the Company. As a consequence, the Employee hereby agrees and acknowledges that he owes a duty to the Company not to disclose, and agrees that, during or after the term of his employment, without the prior written consent of the Company, he will not communicate, publish or disclose, to any person anywhere or use any Confidential Information (as hereinafter defined) for any purpose other than carrying out his duties as contemplated by this Agreement. The Employee will use his best efforts at all times to hold in confidence and to safeguard any Confidential Information from falling into the hands of any unauthorized person and, in particular, will not permit any Confidential Information to be read, duplicated or copied. The Employee will return to the Company all Confidential Information in the Employee's possession or under the Employee's control when the duties of the Employee no longer require the Employee's possession thereof, or whenever the Company shall so request, and in any event will promptly return all such Confidential Information if the Employee's relationship with the Company is terminated for any or no reason and will not retain any copies thereof. For purposes hereof the term "Confidential Information" shall mean any information or data used by or belonging or relating to the Company or any subsidiary, parent or affiliate of the Company that is not known generally to the industry in which the Company or any subsidiary, parent or affiliate of the Company is or may be engaged, including without limitation, any and all trade secrets, proprietary data and information relating to the Company's or any subsidiary, parent or affiliate of the Company's past, present or future business and products, price lists, customer lists, processes, procedures or standards, know-how, manuals, business strategies, records, drawings, specifications, designs, financial information, whether or not reduced to writing, or information or data which the Company or any subsidiary, parent or affiliate of the Company advises the Employee should be treated as confidential information.

8. Covenant Not to Compete. The Employee acknowledges that during

his employment with the Company he, at the expense of the Company, has been and will be specially trained in the business of the Company, has established and will continue to establish favorable relations with the customers, clients, accounts and lenders of the Company or any subsidiary, parent or affiliate of the Company and will have access to Inventions, trade secrets and Confidential Information of the Company or any subsidiary, parent or affiliate of the Company. Therefore, in consideration of such training and relations, his employment with the Company, and to further protect the Inventions, trade secrets and Confidential Information of the Company or any subsidiary, parent or affiliate of the Company, the Employee agrees that for a period commencing on the date hereof and ending on the fifth anniversary of the date hereof, he will not, directly or indirectly, without the express written consent of the Company, except when and as requested to do in and about the performing of his duties under this Agreement:

(a) own, manage, operate, control or participate in the ownership, management, operation or control of, or have any interest, financial or otherwise, in or act as an officer, director, partner, member, principal, employee, agent, representative, consultant or independent contractor of, or in any way assist any individual or entity in the conduct of any business that is engaged or may become engaged in any business competitive to any business now or at any time during the period hereof engaged in by the Company or any subsidiary, parent or affiliate of the Company, including, but not limited to, any business that trades, markets or distributes propane gas (at retail, wholesale or otherwise) or sells, services and installs parts, appliances or supplies related thereto;

(b) divert or attempt to divert clients or customers (whether or not such persons have done business with the Company or any subsidiary, parent or affiliate of the Company once or more than once) or accounts of the Company or any subsidiary, parent or affiliate of the Company; or

(c) entice or induce or in any manner influence any person who is or shall be in the employ or service of the Company or any subsidiary, parent or affiliate of the Company to leave such employ or service for the purpose of engaging in a business which may be in competition with any business now or at any time during the period hereof engaged in by the Company or any subsidiary, parent or affiliate of the Company.

Notwithstanding the foregoing provisions, the Employee may own not more than five percent (5%) of the outstanding equity securities in any corporation or entity (including, but not limited to, units in a master limited partnership) that is listed upon a national stock exchange or actively traded in the over-the-counter market. Notwithstanding the foregoing provisions, the Employee shall not, directly or indirectly, without the express written consent of the Company, except when and as requested to do in and about the performing of his duties under this Agreement, engage in any actions under subsections (a), (b) or (c) above, at any time the Company is making payments to the Employee pursuant to this Agreement.

9. Specific Performance. Recognizing that irreparable damage will

result to the Company in the event of the breach or threatened breach of any of the foregoing covenants and assurances by the Employee contained in Sections 6,

7 or 8 hereof, and that the Company's remedies at law for any such breach or

threatened breach will be inadequate, the Company and its successors and assigns, in addition to such other remedies which may be available to them, shall be entitled to an injunction, including a mandatory injunction, to be issued by any court of competent jurisdiction ordering compliance with this Agreement or enjoining and restraining the Employee, and each and every person, firm or company acting in concert or participation with him, from the continuation of such breach and, in addition thereto, he shall pay to the Company all ascertainable damages, including costs and reasonable attorneys' fees sustained by the Company by reason of the breach or threatened breach of said covenants and assurances. The obligations of the Employee and the rights of the Company, its successors and assigns under Sections 6, 7, 8, 9, 10, 12, 16

and 18 of this Agreement shall survive the termination of this Agreement. The

covenants and obligations of the Employee set forth in Sections 6, 7 and 8

hereof are in addition to and not in lieu of or exclusive of any other obligations and duties of the Employee to the Company, whether express or implied in fact or in law.

10. Potential Unenforceability of Any Provision. If a final judicial

determination is made that any provision of this Agreement is an unenforceable restriction against the Employee, the provisions hereof shall be rendered void only to the extent that such judicial determination finds such provisions unenforceable, and such unenforceable provisions shall automatically be reconstituted and become a part of this Agreement, effective as of the date first written above, to the maximum extent in favor of the Company that is lawfully enforceable. A judicial determination that any provision of this Agreement is unenforceable shall in no instance render the entire Agreement unenforceable, but rather the Agreement will continue in full force and effect absent any unenforceable provision to the maximum extent permitted by law.

11. Term and Termination.

(a) Subject to Sections 11(b) and 11(c) below, the term of the

Employee's employment under this Agreement shall be five (5) years from the date hereof.

(b) Notwithstanding Section 11(a) above, this Agreement shall

terminate immediately upon the death, disability or adjudication of legal incompetence of the Employee, or upon the Company's ceasing to carry on its business or becoming bankrupt. For purposes of this Agreement, the Employee shall be deemed to be disabled when the Employee has become unable, by reason of physical or mental disability, to satisfactorily perform his essential job duties and there is no reasonable accommodation that can be provided to enable him to be a qualified individual with a disability under applicable law. Such matters shall be determined by, or to the reasonable satisfaction of, the Company.

(c) Notwithstanding Section 11(a) above, the Company may terminate

the Employee's employment at any time for Cause or without Cause. "Cause" means (i) the Employee has failed to perform the duties assigned to him and such failure has continued for thirty (30) days following delivery by the Company of written notice to the Employee of such failure, (ii) the Employee has been convicted of a felony or misdemeanor involving moral turpitude, (iii) the Employee has engaged in acts or omissions against the Company constituting dishonesty, breach of fiduciary obligation, or intentional wrongdoing or misfeasance, (iv) the Employee has acted intentionally or in bad faith in a manner that results in a material detriment to the assets, business or prospects of the Company, or (v) the Employee has breached any obligation under this Agreement.

(d) In the event (x) the Company elects to terminate the Employee's employment with the Company for Cause or as a result of the death, disability, adjudication of legal incompetence of the Employee or the Company's ceasing to carry on its business or becoming bankrupt, or (y) the Employee terminates his employment with the Company for any reason or no reason, the Company shall pay or provide to the Employee:

(i) such Salary as the Employee shall have earned up to the date of his termination;

(ii) such earned but unpaid performance bonus, if any, pursuant to either Section 4(c) or 4(d) hereof, as applicable;

(iii) such earned but unpaid subordination bonus, if any, pursuant to Section 4(e) hereof; and

(iv) such other fringe benefits normally provided to employees of the Company as the Employee shall have earned up to the date of his termination.

(e) In the event the Company elects to terminate the Employee's employment with the Company during the five (5)-year period referred to in Section 11(a) above and such termination is without Cause, the Company

shall pay to the Employee:

(i) the unpaid amount of the Employee's Salary for the remainder of the term of this Agreement, with such amount to be paid bi-monthly in arrears;

(ii) such earned but unpaid performance bonus, if any, pursuant to either Section 4(c) or 4(d) hereof, as applicable;

(iii) such earned but unpaid subordination bonus, if any, pursuant to Section 4(e) hereof; and

(iv) such other fringe benefits (other than any bonus, severance pay benefit or participation in the Company's 401(k) employee benefit plan) normally provided to employees of the Company as the Employee shall have earned up to the date of his termination.

12. Waiver of Breach. Failure of the Company to demand strict

compliance with any of the terms, covenants or conditions hereof shall not be deemed a waiver of the term, covenant or condition, nor shall any waiver or relinquishment by the Company of any right or power hereunder at any one time or more times be deemed a waiver or relinquishment of the right or power at any other time or times.

13. No Breach. The Employee represents and warrants to the Company

that neither the execution nor delivery of this Agreement, nor the performance of the Employee's obligations hereunder will conflict with, or result in a breach of, any term, condition, or provision of, or constitute a default under, any obligation, contract, agreement, covenant or instrument to which the Employee is a party or under which the Employee is bound, including without limitation, the breach by the Employee of a fiduciary duty to any former employers.

14. Entire Agreement; Amendment. This Agreement cancels and

supersedes all previous agreements relating to the subject matter of this Agreement, written or oral, between the parties hereto and contains the entire understanding of the parties hereto and shall not be amended, modified or supplemented in any manner whatsoever except as otherwise provided herein or in writing signed by each of the parties hereto.

15. Headings. The headings of the sections of this Agreement have

been inserted for convenience of reference only and shall in no way restrict or otherwise modify any of the terms or provisions hereof.

16. Governing Law. This Agreement and all rights and obligations

of the parties hereunder shall be governed by, and construed and interpreted in accordance with, the laws of the State of Missouri applicable to agreements made and to be performed entirely within the State, including all matters of enforcement, validity and performance; provided, however, that to the extent any provision herein is deemed unenforceable in the State of Missouri, then this Agreement shall be governed by, and construed and interpreted in accordance with, the laws of the State of Delaware.

17. Notice. Any notice, request, consent or communication under

this Agreement shall be effective only if it is in writing and personally delivered or sent by certified mail, return receipt requested, postage prepaid, or by a nationally recognized overnight delivery service, with delivery confirmed, addressed as follows:

If to the Company:

Name: -----	With Copy To: -----
Inergy Partners, LLC	Stinson, Mag & Fizzell, P.C.
1101 Walnut, Suite 1500	1201 Walnut, Suite 2800
Kansas City, Missouri 64106	Kansas City, Missouri 64106
Attn: John J. Sherman	Attn: Paul E. McLaughlin

If to the Employee:

Carl A. Hughes
1101 Walnut, Suite 1500
Kansas City, Missouri 64106

or such other persons and/or addresses as shall be furnished in writing by any party to the other party, and shall be deemed to have been given only upon its delivery in accordance with this Section 17.

18. Assignment. This Agreement is personal and not assignable by

the Employee but it may be assigned by the Company without notice to or consent of the Employee to, and shall thereafter be binding upon and enforceable by, any affiliate of the Company, the MLP, and any person which shall acquire or succeed to substantially all of the business or assets of the Company (and such person shall be deemed included in the definition of the "Company" for all purposes of this Agreement) but is not otherwise assignable by the Company.

19. Expenses. If any action at law or in equity is necessary to

enforce or interpret the terms of this Agreement, the prevailing party shall be entitled to reasonable attorney's fees, costs and necessary disbursements in addition to any other relief to which such party may be entitled.

IN WITNESS WHEREOF, the Company has caused this Employment Agreement to be duly executed, and the Employee has hereunto set his hand, as of the day and year first above written.

INERGY PARTNERS, LLC

By: /s/ John J. Sherman

John J. Sherman, President

/s/ Carl A. Hughes

Carl A. Hughes

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement") is entered into this 30th day of May, 2001, by and between Inergy Partners, LLC, a Delaware limited liability company (the "Company"), and Michael D. Fox, an individual (the "Employee").

1. Employment. The Company agrees to employ the Employee and the

Employee agrees to be employed by the Company as the Vice President - Wholesale Marketing of the Company upon the terms and conditions of this Agreement, commencing on the date hereof and continuing until terminated as provided in Section 11 below. The Employee shall report to the President of the Company.

2. Compensation. For all services rendered by the Employee to the

Company, the Company shall pay the Employee a salary at the annual rate of One Hundred Twenty-Five Thousand Dollars (\$125,000) (the "Salary") payable bi-monthly in arrears. Such Salary shall be reviewed from time to time by the Company but no less often than annually.

3. Expenses. The Company shall reimburse the Employee for all

ordinary and necessary expenses incurred and paid by the Employee in the course of the performance of the Employee's duties pursuant to this Agreement and consistent with the Company's policies in effect from time to time with respect to travel, entertainment and other business expenses, and subject to the Company's requirements with respect to the manner of approval and reporting of such expenses.

4. Additional Benefits.

(a) The Employee shall be eligible for such fringe benefits, if any, by way of insurance, hospitalization and vacations normally provided to other members of the executive management of the Company generally and such additional benefits as may be from time to time agreed upon in writing between the Employee and the Company.

(b) It is expected that during fiscal year 2001, the Company will have in place a key employee equity plan that the Employee will participate in, such that, assuming (i) the value of the units (or other securities pursuant to such key employee equity plan) grows at a fifteen percent (15%) annual rate (compounded annually) from the date of their issuance, and (ii) the Employee is employed by the Company continuously for a five (5)-year period from the date of such issuance, the Employee would have equity value (computed as the difference between the value of the units (or other securities pursuant to the key employee equity plan) and the strike price) under such key employee equity plan equal to Five Hundred Thousand Dollars (\$500,000) on the fifth anniversary date of such issuance. The Employee will vest in accordance with the provisions of such plan. In the event of an initial public offering ("IPO") of partnership units of a master limited partnership ("MLP") sponsored by the Company on or prior to August 31, 2001, the Employee's rights under this Section 4(b) shall automatically

terminate and in lieu thereof Employee shall be granted options to acquire 27,750 common units of the MLP with an

exercise price equal to the IPO price per common unit, all as may be subject to the provisions of such option agreement and/or plan of the MLP.

(c) Subject to Section 4(d) below, the Company agrees to pay the

Employee certain performance bonuses based on targeted Operating Cash Flow (as defined below) for each fiscal year, beginning with the fiscal year beginning October 1, 2000. For each fiscal year during the term hereof the Company shall establish a targeted Operating Cash Flow for such fiscal year, and the Employee will receive a cash bonus to be paid within three months after the end of such fiscal year in the amount of: (i) \$75,000, if the Company has Operating Cash Flow equal to or greater than targeted Operating Cash Flow for such fiscal year but less than 110% of such targeted Operating Cash Flow; or (ii) \$100,000, if the Operating Cash Flow is equal to or greater than 110% of targeted Operating Cash Flow for such fiscal year but less than 120% of such targeted Operating Cash Flow for such year; or (iii) \$125,000, if the Company has Operating Cash Flow of equal to or greater than 120% of targeted Operating Cash Flow for such fiscal year. For purposes of this Section 4(c), "Operating Cash Flow" means

net income in accordance with generally accepted accounting principals plus (i) income taxes, (ii) interest, (iii) depreciation, and (iv) amortization of intangibles, to the extent used in computing such net income, and minus capital expenditures made to maintain and service existing business expended by the Company during the fiscal year in question. Notwithstanding the foregoing, in order to receive a bonus pursuant to this Section 4(c),

the Employee must have been continuously employed by the Company from the date hereof until the end of the relevant fiscal year.

(d) In the event that the Company effects the IPO, effective at the beginning of the fiscal year of the Company next succeeding such IPO, in lieu of any payments under Section 4(c) above, the Company agrees to pay

the Employee certain performance bonuses based on targeted Distributable Cash Flow ("DCF") (as defined below) for each fiscal year. For each fiscal year as to which there is to be a bonus under this Section 4(d), the

Company shall establish a targeted DCF, and the Employee will receive a cash bonus to be paid within three months after the end of such fiscal year in the amount of: (i) \$18,750, if the Company has DCF equal to or greater than 90% of targeted DCF for such fiscal year but less than 95% of targeted DCF during such fiscal year; (ii) \$37,500, if the Company has DCF equal to or greater than 95% of targeted DCF for such fiscal year but less than targeted DCF during such fiscal year; (iii) \$75,000, if the Company has DCF equal to or greater than targeted DCF for such fiscal year but less than 110% of targeted DCF for such fiscal year; (iv) \$100,000, if the Company has DCF equal to or greater than 110% of targeted DCF but less than 120% of targeted DCF during such fiscal year; or (v) \$125,000, if the Company has DCF equal to or greater than 120% of targeted DCF during such fiscal year. Notwithstanding the previous sentence, in order to be eligible to receive any bonus under the previous sentence for the relevant fiscal year the Company must have earned and paid for such year distributions on each outstanding unit of the Company in an amount equal to four (4) times the greater of (A) the minimum quarterly distribution as defined in the Partnership Agreement of the MLP effecting the IPO, and (B) the highest quarterly distribution previously paid by the MLP with respect to all its units. For purposes of this Section 4(d), Distributable Cash Flow shall

have the same meaning as such term (or any comparable term, such as "Available Cash") is defined in the

documents relating the MLP. Notwithstanding the foregoing, in order to receive a bonus pursuant to this Section 4(d), the Employee must have been

continuously employed by the Company from the date hereof until the end of the relevant fiscal year.

(e) It is anticipated by the parties hereto that in the event that the Company effects the IPO:

(i) The Company will receive Subordinated Units in the MLP that will have a yield equal to (but subordinated to) the yield on the publicly-traded common units;

(ii) At the expiration of the subordination period, the Subordinated Units will convert to common units of the MLP on a one-for-one basis and will receive distributions pro rata with all other common units;

(iii) The subordination period will terminate based on the performance of the MLP in achieving certain earnings and distribution levels.

In the event that the subordination period terminates with respect to all of the Subordinated Units, the Employee shall receive a cash bonus of Three Hundred Thousand Dollars (\$300,000), with such bonus to be paid within sixty (60) days after the date of such termination; provided, however, that the Company may in its discretion pay all or part of such bonus prior to the termination of the subordination period with respect to all of the Subordinated Units; provided, further, that in the event the Company makes such early payments to the Employee and the subordination period is not subsequently terminated, the Employee shall not be required to repay such amounts to the Company. Immediately upon a Change of Control (as defined below), within thirty (30) days of such Change of Control, the Company shall pay (A) the amount of the subordination bonus payable under this Section 4(e) to the extent unpaid, if such Change of Control results in the expiration of the subordination period, or (B) fifty percent (50%) of the amount of the subordination bonus to the extent unpaid, if such Change of Control does not result in the termination of the subordination period, with the balance of the subordination bonus to be paid pursuant to the previous sentence, or earlier in the event of a subsequent Change of Control that results in the termination of the subordination period. For purposes of this Section 4(e), a "Change of Control" shall have the same meaning as that term is used in the Inergy Long Term Incentive Plan.

Notwithstanding the foregoing, in order to receive a bonus with respect to the termination of the subordination period for all Subordinated Units, the Employee must have been continuously employed by the Company from the date hereof until the date of such termination. In the event the Employee's employment is terminated without Cause, as defined herein, prior to the full payment of the subordination bonus and a portion of the subordinated units have previously been converted, the Company shall pay to Employee an amount equal to Employee's total subordination bonus times a fraction equal to the number of all subordinated units of the MLP which have converted to common units divided by the total number of subordinated units issued by the MLP.

5. Duties. The Employee agrees that so long as he is employed under

this Agreement he will (i) to the satisfaction of the Company devote his best efforts and his entire business time to further properly the interests of the Company, (ii) at all times be subject to the Company's direction and control with respect to his activities on behalf of the Company, (iii) comply with all rules, orders and regulations of the Company, (iv) truthfully and accurately maintain and preserve such records and make all reports as the Company may require, and (v) fully account for all monies and other property of the Company of which he may from time to time have custody and deliver the same to the Company whenever and however directed to do so.

6. Disclosure and Assignment of Inventions.

(a) The Employee agrees that any Inventions (as hereinafter defined) that he, alone or with others, may conceive, develop, make or perfect, in whole or in part, during his employment by the Company which relate or pertain in any way to the existing or reasonably anticipated scope of the Company's or any subsidiary, parent or affiliate of the Company's business, or that he, alone or with others, may conceive, make or perfect in whole or in part, in the performance of the duties of his employment by the Company, shall be promptly and fully disclosed in writing immediately by the Employee to the Company (but to no other person or persons prior to procuring patents therefor). All of the right, title and interest in and to any Invention shall be and hereby is assigned exclusively to the Company or its nominee regardless of whether or not the conception, development, making or perfection of such Inventions involved the use of the Company's time, facilities or materials and regardless of where such Inventions may be conceived, made or perfected and shall become the sole property of the Company or its nominee. For purposes hereof, the term "Inventions" shall mean inventions, discoveries, ideas, concepts, systems, works, trade secrets, know-how, intellectual property, products, processes or improvements or modifications of current products, processes or designs, or methods of manufacture, distribution, management or otherwise (whether or not covered by or able to be covered by a patent or copyright).

(b) The Employee agrees to execute and deliver all documents and do all acts which the Company shall deem necessary or desirable to secure to the Company or its nominee the entire right, title and interest in and to said Inventions, including, without limitation, applications for any United States and/or Foreign Letters Patent or Certificates of Copyright Registration in the name of or for the benefit of the Company or, in the discretion of the Company, in the Employee's name, which patents and copyrights shall then be assigned by the Employee to the Company. Any document described above prepared and filed pursuant to this subsection shall be so prepared and filed at the Company's expense. The Employee hereby irrevocably appoints the President of the Company as his attorney-in-fact with authority to execute for him and on his behalf any and all assignments, patent or copyright applications, or other instruments and documents required to be executed by the Employee pursuant to this subsection, if the Employee is unwilling or unable to execute same.

(c) The Company shall have no obligation to use, attempt to protect by application for Letters Patent or Certificates of Copyright Registration or promote any of

said Inventions; provided, however, that the Company, in its sole discretion, may reward the Employee for any especially meritorious contributions in any manner it deems appropriate or may provide the Employee with full or partial releases as to any subject matter contributed by the Employee in which the Company is not interested.

7. Covenant Not to Disclose Confidential Information. The Employee

acknowledges that during the course of his employment with the Company he has or will have access to and knowledge of certain information and data which the Company or any subsidiary, parent or affiliate of the Company considers confidential and that the release of such information or data to unauthorized persons would be extremely detrimental to the Company. As a consequence, the Employee hereby agrees and acknowledges that he owes a duty to the Company not to disclose, and agrees that, during or after the term of his employment, without the prior written consent of the Company, he will not communicate, publish or disclose, to any person anywhere or use any Confidential Information (as hereinafter defined) for any purpose other than carrying out his duties as contemplated by this Agreement. The Employee will use his best efforts at all times to hold in confidence and to safeguard any Confidential Information from falling into the hands of any unauthorized person and, in particular, will not permit any Confidential Information to be read, duplicated or copied. The Employee will return to the Company all Confidential Information in the Employee's possession or under the Employee's control when the duties of the Employee no longer require the Employee's possession thereof, or whenever the Company shall so request, and in any event will promptly return all such Confidential Information if the Employee's relationship with the Company is terminated for any or no reason and will not retain any copies thereof. For purposes hereof the term "Confidential Information" shall mean any information or data used by or belonging or relating to the Company or any subsidiary, parent or affiliate of the Company that is not known generally to the industry in which the Company or any subsidiary, parent or affiliate of the Company is or may be engaged, including without limitation, any and all trade secrets, proprietary data and information relating to the Company's or any subsidiary, parent or affiliate of the Company's past, present or future business and products, price lists, customer lists, processes, procedures or standards, know-how, manuals, business strategies, records, drawings, specifications, designs, financial information, whether or not reduced to writing, or information or data which the Company or any subsidiary, parent or affiliate of the Company advises the Employee should be treated as confidential information.

8. Covenant Not to Compete. The Employee acknowledges that during

his employment with the Company he, at the expense of the Company, has been and will be specially trained in the business of the Company, has established and will continue to establish favorable relations with the customers, clients, accounts and lenders of the Company or any subsidiary, parent or affiliate of the Company and will have access to Inventions, trade secrets and Confidential Information of the Company or any subsidiary, parent or affiliate of the Company. Therefore, in consideration of such training and relations, his employment with the Company, and to further protect the Inventions, trade secrets and Confidential Information of the Company or any subsidiary, parent or affiliate of the Company, the Employee agrees that for a period commencing on the date hereof and ending on the fifth anniversary of the date hereof, he will not, directly or indirectly, without the express written consent of the Company, except when and as requested to do in and about the performing of his duties under this Agreement:

(a) own, manage, operate, control or participate in the ownership, management, operation or control of, or have any interest, financial or otherwise, in or act as an officer, director, partner, member, principal, employee, agent, representative, consultant or independent contractor of, or in any way assist any individual or entity in the conduct of any business that is engaged or may become engaged in any business competitive to any business now or at any time during the period hereof engaged in by the Company or any subsidiary, parent or affiliate of the Company, including, but not limited to, any business that trades, markets or distributes propane gas (at retail, wholesale or otherwise) or sells, services and installs parts, appliances or supplies related thereto;

(b) divert or attempt to divert clients or customers (whether or not such persons have done business with the Company or any subsidiary, parent or affiliate of the Company once or more than once) or accounts of the Company or any subsidiary, parent or affiliate of the Company; or

(c) entice or induce or in any manner influence any person who is or shall be in the employ or service of the Company or any subsidiary, parent or affiliate of the Company to leave such employ or service for the purpose of engaging in a business which may be in competition with any business now or at any time during the period hereof engaged in by the Company or any subsidiary, parent or affiliate of the Company.

Notwithstanding the foregoing provisions, the Employee may own not more than five percent (5%) of the outstanding equity securities in any corporation or entity (including, but not limited to, units in a master limited partnership) that is listed upon a national stock exchange or actively traded in the over-the-counter market. Notwithstanding the foregoing provisions, the Employee shall not, directly or indirectly, without the express written consent of the Company, except when and as requested to do in and about the performing of his duties under this Agreement, engage in any actions under subsections (a), (b) or (c) above, at any time the Company is making payments to the Employee pursuant to this Agreement.

9. Specific Performance. Recognizing that irreparable damage will

result to the Company in the event of the breach or threatened breach of any of the foregoing covenants and assurances by the Employee contained in Sections 6, 7 or 8 hereof, and that the Company's remedies at law for any such breach or

threatened breach will be inadequate, the Company and its successors and assigns, in addition to such other remedies which may be available to them, shall be entitled to an injunction, including a mandatory injunction, to be issued by any court of competent jurisdiction ordering compliance with this Agreement or enjoining and restraining the Employee, and each and every person, firm or company acting in concert or participation with him, from the continuation of such breach and, in addition thereto, he shall pay to the Company all ascertainable damages, including costs and reasonable attorneys' fees sustained by the Company by reason of the breach or threatened breach of said covenants and assurances. The obligations of the Employee and the rights of the Company, its successors and assigns under Sections 6, 7, 8, 9, 10, 12, 16

and 18 of this Agreement shall survive the termination of this Agreement. The covenants and obligations of the Employee set forth in Sections 6, 7 and 8

hereof are in addition to and not in lieu of or exclusive of any other obligations and duties of the Employee to the Company, whether express or implied in fact or in law.

10. Potential Unenforceability of Any Provision. If a final judicial

determination is made that any provision of this Agreement is an unenforceable restriction against the Employee, the provisions hereof shall be rendered void only to the extent that such judicial determination finds such provisions unenforceable, and such unenforceable provisions shall automatically be reconstituted and become a part of this Agreement, effective as of the date first written above, to the maximum extent in favor of the Company that is lawfully enforceable. A judicial determination that any provision of this Agreement is unenforceable shall in no instance render the entire Agreement unenforceable, but rather the Agreement will continue in full force and effect absent any unenforceable provision to the maximum extent permitted by law.

11. Term and Termination.

(a) Subject to Sections 11(b) and 11(c) below, the term of the

Employee's employment under this Agreement shall be five (5) years from the date hereof.

(b) Notwithstanding Section 11(a) above, this Agreement shall

terminate immediately upon the death, disability or adjudication of legal incompetence of the Employee, or upon the Company's ceasing to carry on its business or becoming bankrupt. For purposes of this Agreement, the Employee shall be deemed to be disabled when the Employee has become unable, by reason of physical or mental disability, to satisfactorily perform his essential job duties and there is no reasonable accommodation that can be provided to enable him to be a qualified individual with a disability under applicable law. Such matters shall be determined by, or to the reasonable satisfaction of, the Company.

(c) Notwithstanding Section 11(a) above, the Company may terminate

the Employee's employment at any time for Cause or without Cause. "Cause" means (i) the Employee has failed to perform the duties assigned to him and such failure has continued for thirty (30) days following delivery by the Company of written notice to the Employee of such failure, (ii) the Employee has been convicted of a felony or misdemeanor involving moral turpitude, (iii) the Employee has engaged in acts or omissions against the Company constituting dishonesty, breach of fiduciary obligation, or intentional wrongdoing or misfeasance, (iv) the Employee has acted intentionally or in bad faith in a manner that results in a material detriment to the assets, business or prospects of the Company, or (v) the Employee has breached any obligation under this Agreement.

(d) In the event (x) the Company elects to terminate the Employee's employment with the Company for Cause or as a result of the death, disability, adjudication of legal incompetence of the Employee or the Company's ceasing to carry on its business or becoming bankrupt, or (y) the Employee terminates his employment with the Company for any reason or no reason, the Company shall pay or provide to the Employee:

(i) such Salary as the Employee shall have earned up to the date of his termination;

(ii) such earned but unpaid performance bonus, if any, pursuant to either Section 4(c) or 4(d) hereof, as applicable;

(iii) such earned but unpaid subordination bonus, if any, pursuant to Section 4(e) hereof; and

(iv) such other fringe benefits normally provided to employees of the Company as the Employee shall have earned up to the date of his termination.

(e) In the event the Company elects to terminate the Employee's employment with the Company during the five (5)-year period referred to in Section 11(a) above and such termination is without Cause, the Company

shall pay to the Employee:

(i) the unpaid amount of the Employee's Salary for the remainder of the term of this Agreement, with such amount to be paid bi-monthly in arrears;

(ii) such earned but unpaid performance bonus, if any, pursuant to either Section 4(c) or 4(d) hereof, as applicable;

(iii) such earned but unpaid subordination bonus, if any, pursuant to Section 4(e) hereof; and

(iv) such other fringe benefits (other than any bonus, severance pay benefit or participation in the Company's 401(k) employee benefit plan) normally provided to employees of the Company as the Employee shall have earned up to the date of his termination.

12. Waiver of Breach. Failure of the Company to demand strict

compliance with any of the terms, covenants or conditions hereof shall not be deemed a waiver of the term, covenant or condition, nor shall any waiver or relinquishment by the Company of any right or power hereunder at any one time or more times be deemed a waiver or relinquishment of the right or power at any other time or times.

13. No Breach. The Employee represents and warrants to the Company

that neither the execution nor delivery of this Agreement, nor the performance of the Employee's obligations hereunder will conflict with, or result in a breach of, any term, condition, or provision of, or constitute a default under, any obligation, contract, agreement, covenant or instrument to which the Employee is a party or under which the Employee is bound, including without limitation, the breach by the Employee of a fiduciary duty to any former employers.

14. Entire Agreement; Amendment. This Agreement cancels and

supersedes all previous agreements relating to the subject matter of this Agreement, written or oral, between the parties hereto and contains the entire understanding of the parties hereto and shall not be amended, modified or supplemented in any manner whatsoever except as otherwise provided herein or in writing signed by each of the parties hereto.

15. Headings. The headings of the sections of this Agreement have

been inserted for convenience of reference only and shall in no way restrict or otherwise modify any of the terms or provisions hereof.

16. Governing Law. This Agreement and all rights and obligations of

the parties hereunder shall be governed by, and construed and interpreted in accordance with, the laws of the State of Missouri applicable to agreements made and to be performed entirely within the State, including all matters of enforcement, validity and performance; provided, however, that to the extent any provision herein is deemed unenforceable in the State of Missouri, then this Agreement shall be governed by, and construed and interpreted in accordance with, the laws of the State of Delaware.

17. Notice. Any notice, request, consent or communication under this

Agreement shall be effective only if it is in writing and personally delivered or sent by certified mail, return receipt requested, postage prepaid, or by a nationally recognized overnight delivery service, with delivery confirmed, addressed as follows:

If to the Company:

Name:

Inergy Partners, LLC
1101 Walnut, Suite 1500
Kansas City, Missouri 64106
Attn: John J. Sherman

With Copy To:

Stinson, Mag & Fizzell, P.C.
1201 Walnut, Suite 2800
Kansas City, Missouri 64106
Attn: Paul E. McLaughlin

If to the Employee:

Michael D. Fox
1101 Walnut, Suite 1500
Kansas City, Missouri 64106

or such other persons and/or addresses as shall be furnished in writing by any party to the other party, and shall be deemed to have been given only upon its delivery in accordance with this Section 17.

18. Assignment. This Agreement is personal and not assignable by the

Employee but it may be assigned by the Company without notice to or consent of the Employee to, and shall thereafter be binding upon and enforceable by, any affiliate of the Company, the MLP, and any person which shall acquire or succeed to substantially all of the business or assets of the Company (and such person shall be deemed included in the definition of the "Company" for all purposes of this Agreement) but is not otherwise assignable by the Company.

19. Expenses. If any action at law or in equity is necessary to

enforce or interpret the terms of this Agreement, the prevailing party shall be entitled to reasonable attorney's fees, costs and necessary disbursements in addition to any other relief to which such party may be entitled.

IN WITNESS WHEREOF, the Company has caused this Employment Agreement to be duly executed, and the Employee has hereunto set his hand, as of the day and year first above written.

INERGY PARTNERS, LLC

By: /s/ John J. Sherman

John J. Sherman, President

/s/ Michael D. Fox

Michael D. Fox

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement") is entered into this 30th day of May, 2001, by and between Inergy Partners, LLC, a Delaware limited liability company (the "Company"), and William C. Gautreaux, an individual (the "Employee").

1. Employment. The Company agrees to employ the Employee and the

Employee agrees to be employed by the Company as the Vice President - Supply Logistics and Risk Management of the Company upon the terms and conditions of this Agreement, commencing on the date hereof and continuing until terminated as provided in Section 11 below. The Employee shall report to the President of the

Company.

2. Compensation. For all services rendered by the Employee to the

Company, the Company shall pay the Employee a salary at the annual rate of One Hundred Twenty-Five Thousand Dollars (\$125,000) (the "Salary") payable bi-monthly in arrears. Such Salary shall be reviewed from time to time by the Company but no less often than annually.

3. Expenses. The Company shall reimburse the Employee for all

ordinary and necessary expenses incurred and paid by the Employee in the course of the performance of the Employee's duties pursuant to this Agreement and consistent with the Company's policies in effect from time to time with respect to travel, entertainment and other business expenses, and subject to the Company's requirements with respect to the manner of approval and reporting of such expenses.

4. Additional Benefits.

(a) The Employee shall be eligible for such fringe benefits, if any, by way of insurance, hospitalization and vacations normally provided to other members of the executive management of the Company generally and such additional benefits as may be from time to time agreed upon in writing between the Employee and the Company.

(b) It is expected that during fiscal year 2001, the Company will have in place a key employee equity plan that the Employee will participate in, such that, assuming (i) the value of the units (or other securities pursuant to such key employee equity plan) grows at a fifteen percent (15%) annual rate (compounded annually) from the date of their issuance, and (ii) the Employee is employed by the Company continuously for a five (5)-year period from the date of such issuance, the Employee would have equity value (computed as the difference between the value of the units (or other securities pursuant to the key employee equity plan) and the strike price) under such key employee equity plan equal to Five Hundred Thousand Dollars (\$500,000) on the fifth anniversary date of such issuance. The Employee will vest in accordance with the provisions of such plan. In the event of an initial public offering ("IPO") of partnership units of a master limited partnership ("MLP") sponsored by the Company on or prior to August 31, 2001, the Employee's rights under this Section 4(b) shall automatically

terminate and in lieu thereof Employee shall be granted options to acquire 27,750 common units of the MLP with an

exercise price equal to the IPO price per common unit, all as may be subject to the provisions of such option agreement and/or plan of the MLP.

(c) Subject to Section 4(d) below, the Company agrees to pay the

Employee certain performance bonuses based on targeted Operating Cash Flow (as defined below) for each fiscal year, beginning with the fiscal year beginning October 1, 2000. For each fiscal year during the term hereof the Company shall establish a targeted Operating Cash Flow for such fiscal year, and the Employee will receive a cash bonus to be paid within three months after the end of such fiscal year in the amount of: (i) \$100,000, if the Company has Operating Cash Flow equal to or greater than targeted Operating Cash Flow for such fiscal year but less than 110% of such targeted Operating Cash Flow; or (ii) \$125,000, if the Operating Cash Flow is equal to or greater than 110% of targeted Operating Cash Flow for such fiscal year but less than 120% of such targeted Operating Cash Flow for such year; or (iii) \$150,000, if the Company has Operating Cash Flow of equal to or greater than 120% of targeted Operating Cash Flow for such fiscal year. For purposes of this Section 4(c), "Operating Cash Flow"

means net income in accordance with generally accepted accounting principals plus (i) income taxes, (ii) interest, (iii) depreciation, and (iv) amortization of intangibles, to the extent used in computing such net income, and minus capital expenditures made to maintain and service existing business expended by the Company during the fiscal year in question. Notwithstanding the foregoing, in order to receive a bonus pursuant to this Section 4(c), the Employee must have been continuously

employed by the Company from the date hereof until the end of the relevant fiscal year.

(d) In the event that the Company effects the IPO, effective at the beginning of the fiscal year of the Company next succeeding such IPO, in lieu of any payments under Section 4(c) above, the Company agrees to pay

the Employee certain performance bonuses based on targeted Distributable Cash Flow ("DCF") (as defined below) for each fiscal year. For each fiscal year as to which there is to be a bonus under this Section 4(d), the

Company shall establish a targeted DCF, and the Employee will receive a cash bonus to be paid within three months after the end of such fiscal year in the amount of: (i) \$25,000, if the Company has DCF equal to or greater than 90% of targeted DCF for such fiscal year but less than 95% of targeted DCF during such fiscal year; (ii) \$50,000, if the Company has DCF equal to or greater than 95% of targeted DCF for such fiscal year but less than targeted DCF during such fiscal year; (iii) \$100,000, if the Company has DCF equal to or greater than targeted DCF for such fiscal year but less than 110% of targeted DCF for such fiscal year; (iv) \$125,000, if the Company has DCF equal to or greater than 110% of targeted DCF but less than 120% of targeted DCF during such fiscal year; or (v) \$150,000, if the Company has DCF equal to or greater than 120% of targeted DCF during such fiscal year. Notwithstanding the previous sentence, in order to be eligible to receive any bonus under the previous sentence for the relevant fiscal year the Company must have earned and paid for such year distributions on each outstanding unit of the Company in an amount equal to four (4) times the greater of (A) the minimum quarterly distribution as defined in the Partnership Agreement of the MLP effecting the IPO, and (B) the highest quarterly distribution previously paid by the MLP with respect to all its units. For purposes of this Section 4(d), Distributable Cash Flow shall

have the same meaning as such term (or any comparable term, such as "Available Cash") is defined in the

documents relating the MLP. Notwithstanding the foregoing, in order to receive a bonus pursuant to this Section 4(d), the Employee must have been -----
continuously employed by the Company from the date hereof until the end of the relevant fiscal year.

(e) It is anticipated by the parties hereto that in the event that the Company effects the IPO:

(i) The Company will receive Subordinated Units in the MLP that will have a yield equal to (but subordinated to) the yield on the publicly-traded common units;

(ii) At the expiration of the subordination period, the Subordinated Units will convert to common units of the MLP on a one-for-one basis and will receive distributions pro rata with all other common units;

(iii) The subordination period will terminate based on the performance of the MLP in achieving certain earnings and distribution levels.

In the event that the subordination period terminates with respect to all of the Subordinated Units, the Employee shall receive a cash bonus of Three Hundred Thousand Dollars (\$300,000), with such bonus to be paid within sixty (60) days after the date of such termination; provided, however, that the Company may in its discretion pay all or part of such bonus prior to the termination of the subordination period with respect to all of the Subordinated Units; provided, further, that in the event the Company makes such early payments to the Employee and the subordination period is not subsequently terminated, the Employee shall not be required to repay such amounts to the Company. Immediately upon a Change of Control (as defined below), within thirty (30) days of such Change of Control, the Company shall pay (A) the amount of the subordination bonus payable under this Section 4(e) to the extent unpaid, if such Change of Control results in the expiration of the subordination period, or (B) fifty percent (50%) of the amount of the subordination bonus to the extent unpaid, if such Change of Control does not result in the termination of the subordination bonus, with the balance of the subordination bonus to be paid pursuant to the previous sentence, or earlier in the event of a subsequent Change of Control that results in the termination of the subordination period. For purposes of this Section 4(e), a "Change of Control" shall have the same meaning as that term is used in the Inergy Long Term Incentive Plan.

Notwithstanding the foregoing, in order to receive a bonus with respect to the termination of the subordination period for all Subordinated Units, the Employee must have been continuously employed by the Company from the date hereof until the date of such termination. In the event the Employee's employment is terminated without Cause, as defined herein, prior to the full payment of the subordination bonus and a portion of the subordinated units have previously been converted, the Company shall pay to Employee an amount equal to Employee's total subordination bonus times a fraction equal to the number of all subordinated units of the MLP which have converted to common units divided by the total number of subordinated units issued by the MLP.

5. Duties. The Employee agrees that so long as he is employed

under this Agreement he will (i) to the satisfaction of the Company devote his best efforts and his entire business time to further properly the interests of the Company, (ii) at all times be subject to the Company's direction and control with respect to his activities on behalf of the Company, (iii) comply with all rules, orders and regulations of the Company, (iv) truthfully and accurately maintain and preserve such records and make all reports as the Company may require, and (v) fully account for all monies and other property of the Company of which he may from time to time have custody and deliver the same to the Company whenever and however directed to do so.

6. Disclosure and Assignment of Inventions.

(a) The Employee agrees that any Inventions (as hereinafter defined) that he, alone or with others, may conceive, develop, make or perfect, in whole or in part, during his employment by the Company which relate or pertain in any way to the existing or reasonably anticipated scope of the Company's or any subsidiary, parent or affiliate of the Company's business, or that he, alone or with others, may conceive, make or perfect in whole or in part, in the performance of the duties of his employment by the Company, shall be promptly and fully disclosed in writing immediately by the Employee to the Company (but to no other person or persons prior to procuring patents therefor). All of the right, title and interest in and to any Invention shall be and hereby is assigned exclusively to the Company or its nominee regardless of whether or not the conception, development, making or perfection of such Inventions involved the use of the Company's time, facilities or materials and regardless of where such Inventions may be conceived, made or perfected and shall become the sole property of the Company or its nominee. For purposes hereof, the term "Inventions" shall mean inventions, discoveries, ideas, concepts, systems, works, trade secrets, know-how, intellectual property, products, processes or improvements or modifications of current products, processes or designs, or methods of manufacture, distribution, management or otherwise (whether or not covered by or able to be covered by a patent or copyright).

(b) The Employee agrees to execute and deliver all documents and do all acts which the Company shall deem necessary or desirable to secure to the Company or its nominee the entire right, title and interest in and to said Inventions, including, without limitation, applications for any United States and/or Foreign Letters Patent or Certificates of Copyright Registration in the name of or for the benefit of the Company or, in the discretion of the Company, in the Employee's name, which patents and copyrights shall then be assigned by the Employee to the Company. Any document described above prepared and filed pursuant to this subsection shall be so prepared and filed at the Company's expense. The Employee hereby irrevocably appoints the President of the Company as his attorney-in-fact with authority to execute for him and on his behalf any and all assignments, patent or copyright applications, or other instruments and documents required to be executed by the Employee pursuant to this subsection, if the Employee is unwilling or unable to execute same.

(c) The Company shall have no obligation to use, attempt to protect by application for Letters Patent or Certificates of Copyright Registration or promote any of

said Inventions; provided, however, that the Company, in its sole discretion, may reward the Employee for any especially meritorious contributions in any manner it deems appropriate or may provide the Employee with full or partial releases as to any subject matter contributed by the Employee in which the Company is not interested.

7. Covenant Not to Disclose Confidential Information. The Employee

acknowledges that during the course of his employment with the Company he has or will have access to and knowledge of certain information and data which the Company or any subsidiary, parent or affiliate of the Company considers confidential and that the release of such information or data to unauthorized persons would be extremely detrimental to the Company. As a consequence, the Employee hereby agrees and acknowledges that he owes a duty to the Company not to disclose, and agrees that, during or after the term of his employment, without the prior written consent of the Company, he will not communicate, publish or disclose, to any person anywhere or use any Confidential Information (as hereinafter defined) for any purpose other than carrying out his duties as contemplated by this Agreement. The Employee will use his best efforts at all times to hold in confidence and to safeguard any Confidential Information from falling into the hands of any unauthorized person and, in particular, will not permit any Confidential Information to be read, duplicated or copied. The Employee will return to the Company all Confidential Information in the Employee's possession or under the Employee's control when the duties of the Employee no longer require the Employee's possession thereof, or whenever the Company shall so request, and in any event will promptly return all such Confidential Information if the Employee's relationship with the Company is terminated for any or no reason and will not retain any copies thereof. For purposes hereof the term "Confidential Information" shall mean any information or data used by or belonging or relating to the Company or any subsidiary, parent or affiliate of the Company that is not known generally to the industry in which the Company or any subsidiary, parent or affiliate of the Company is or may be engaged, including without limitation, any and all trade secrets, proprietary data and information relating to the Company's or any subsidiary, parent or affiliate of the Company's past, present or future business and products, price lists, customer lists, processes, procedures or standards, know-how, manuals, business strategies, records, drawings, specifications, designs, financial information, whether or not reduced to writing, or information or data which the Company or any subsidiary, parent or affiliate of the Company advises the Employee should be treated as confidential information.

8. Covenant Not to Compete. The Employee acknowledges that during

his employment with the Company he, at the expense of the Company, has been and will be specially trained in the business of the Company, has established and will continue to establish favorable relations with the customers, clients, accounts and lenders of the Company or any subsidiary, parent or affiliate of the Company and will have access to Inventions, trade secrets and Confidential Information of the Company or any subsidiary, parent or affiliate of the Company. Therefore, in consideration of such training and relations, his employment with the Company, and to further protect the Inventions, trade secrets and Confidential Information of the Company or any subsidiary, parent or affiliate of the Company, the Employee agrees that for a period commencing on the date hereof and ending on the later of (i) one year from and after the date of the voluntary or involuntary termination of the Employee's employment by the Company for any reason or no reason (including, without limitation, a termination due to the fulfillment of the term of this Agreement pursuant to Section 11(a) hereof), provided, however, that in the

event that the date of the voluntary or involuntary termination of the Employee's employment by the Company for any or no reason occurs on or after the second anniversary of the date hereof, the Company shall have the option to extend such one year period of time by an additional one year period by electing to continue to pay the Employee's salary at the time of termination, payable bi-monthly in arrears, for the period of one year following the date of the voluntary or involuntary termination of the Employee's employment by the Company for any or no reason, (ii) the third anniversary of the date hereof, and (iii) in the event the Company makes any payments under Section 11(e) hereof, the later of (x) the fifth anniversary of the date hereof, and (y) one year from and after the date of the termination of the Employee's employment by the Company, he will not, directly or indirectly, without the express written consent of the Company, except when and as requested to do in and about the performing of his duties under this Agreement:

(a) own, manage, operate, control or participate in the ownership, management, operation or control of, or have any interest, financial or otherwise, in or act as an officer, director, partner, member, principal, employee, agent, representative, consultant or independent contractor of, or in any way assist any individual or entity in the conduct of any business that is engaged or may become engaged in any business competitive to any business now or at any time during the period hereof engaged in by the Company or any subsidiary, parent or affiliate of the Company, including, but not limited to, any business that trades, markets or distributes propane gas (at retail, wholesale or otherwise) or sells, services and installs parts, appliances or supplies related thereto;

(b) divert or attempt to divert clients or customers (whether or not such persons have done business with the Company or any subsidiary, parent or affiliate of the Company once or more than once) or accounts of the Company or any subsidiary, parent or affiliate of the Company; or

(c) entice or induce or in any manner influence any person who is or shall be in the employ or service of the Company or any subsidiary, parent or affiliate of the Company to leave such employ or service for the purpose of engaging in a business which may be in competition with any business now or at any time during the period hereof engaged in by the Company or any subsidiary, parent or affiliate of the Company.

Notwithstanding the foregoing provisions, the Employee may own not more than five percent (5%) of the outstanding equity securities in any corporation or entity (including, but not limited to, units in a master limited partnership) that is listed upon a national stock exchange or actively traded in the over-the-counter market. Notwithstanding the foregoing provisions, the Employee shall not, directly or indirectly, without the express written consent of the Company, except when and as requested to do in and about the performing of his duties under this Agreement, engage in any actions under subsections (a), (b) or (c) above, at any time the Company is making payments to the Employee pursuant to this Agreement.

9. Specific Performance. Recognizing that irreparable damage will

result to the Company in the event of the breach or threatened breach of any of the foregoing covenants and assurances by the Employee contained in Sections 6, -----
7 or 8 hereof, and that the Company's

remedies at law for any such breach or threatened breach will be inadequate, the Company and its successors and assigns, in addition to such other remedies which may be available to them, shall be entitled to an injunction, including a mandatory injunction, to be issued by any court of competent jurisdiction ordering compliance with this Agreement or enjoining and restraining the Employee, and each and every person, firm or company acting in concert or participation with him, from the continuation of such breach and, in addition thereto, he shall pay to the Company all ascertainable damages, including costs and reasonable attorneys' fees sustained by the Company by reason of the breach or threatened breach of said covenants and assurances. The obligations of the Employee and the rights of the Company, its successors and assigns under Sections 6, 7, 8, 9, 10, 12, 16 and 18 of this Agreement shall survive the

termination of this Agreement. The covenants and obligations of the Employee set forth in Sections 6, 7 and 8 hereof are in addition to and not in lieu of or

exclusive of any other obligations and duties of the Employee to the Company, whether express or implied in fact or in law.

10. Potential Unenforceability of Any Provision. If a final judicial

determination is made that any provision of this Agreement is an unenforceable restriction against the Employee, the provisions hereof shall be rendered void only to the extent that such judicial determination finds such provisions unenforceable, and such unenforceable provisions shall automatically be reconstituted and become a part of this Agreement, effective as of the date first written above, to the maximum extent in favor of the Company that is lawfully enforceable. A judicial determination that any provision of this Agreement is unenforceable shall in no instance render the entire Agreement unenforceable, but rather the Agreement will continue in full force and effect absent any unenforceable provision to the maximum extent permitted by law.

11. Term and Termination.

(a) Subject to Sections 11(b) and 11(c) below, the term of the

Employee's employment under this Agreement shall be five (5) years from the date hereof.

(b) Notwithstanding Section 11(a) above, this Agreement shall

terminate immediately upon the death, disability or adjudication of legal incompetence of the Employee, or upon the Company's ceasing to carry on its business or becoming bankrupt. For purposes of this Agreement, the Employee shall be deemed to be disabled when the Employee has become unable, by reason of physical or mental disability, to satisfactorily perform his essential job duties and there is no reasonable accommodation that can be provided to enable him to be a qualified individual with a disability under applicable law. Such matters shall be determined by, or to the reasonable satisfaction of, the Company.

(c) Notwithstanding Section 11(a) above, the Company may terminate

the Employee's employment at any time for Cause or without Cause. "Cause" means (i) the Employee has failed to perform the duties assigned to him and such failure has continued for thirty (30) days following delivery by the Company of written notice to the Employee of such failure, (ii) the Employee has been convicted of a felony or misdemeanor involving moral turpitude, (iii) the Employee has engaged in acts or omissions against the Company constituting dishonesty, breach of fiduciary obligation, or intentional wrongdoing or misfeasance, (iv) the Employee has acted intentionally or in bad faith in a

manner that results in a material detriment to the assets, business or prospects of the Company, or (v) the Employee has breached any obligation under this Agreement.

(d) In the event (x) the Company elects to terminate the Employee's employment with the Company for Cause or as a result of the death, disability, adjudication of legal incompetence of the Employee or the Company's ceasing to carry on its business or becoming bankrupt, or (y) the Employee terminates his employment with the Company for any reason or no reason, the Company shall pay or provide to the Employee:

(i) such Salary as the Employee shall have earned up to the date of his termination;

(ii) such earned but unpaid performance bonus, if any, pursuant to either Section 4(c) or 4(d) hereof, as applicable;

(iii) such earned but unpaid subordination bonus, if any, pursuant to Section 4(e) hereof; and

(iv) such other fringe benefits normally provided to employees of the Company as the Employee shall have earned up to the date of his termination.

(e) In the event the Company elects to terminate the Employee's employment with the Company during the five (5)-year period referred to in Section 11(a) above and such termination is without Cause, the Company

shall pay to the Employee:

(i) the unpaid amount of the Employee's Salary for the remainder of the term of this Agreement, with such amount to be paid bi-monthly in arrears;

(ii) such earned but unpaid performance bonus, if any, pursuant to either Section 4(c) or 4(d) hereof, as applicable;

(iii) such earned but unpaid subordination bonus, if any, pursuant to Section 4(e) hereof; and

(iv) such other fringe benefits (other than any bonus, severance pay benefit or participation in the Company's 401(k) employee benefit plan) normally provided to employees of the Company as the Employee shall have earned up to the date of his termination.

12. Waiver of Breach. Failure of the Company to demand strict

compliance with any of the terms, covenants or conditions hereof shall not be deemed a waiver of the term, covenant or condition, nor shall any waiver or relinquishment by the Company of any right or power hereunder at any one time or more times be deemed a waiver or relinquishment of the right or power at any other time or times.

13. No Breach. The Employee represents and warrants to the Company

that neither the execution nor delivery of this Agreement, nor the performance of the Employee's

obligations hereunder will conflict with, or result in a breach of, any term, condition, or provision of, or constitute a default under, any obligation, contract, agreement, covenant or instrument to which the Employee is a party or under which the Employee is bound, including without limitation, the breach by the Employee of a fiduciary duty to any former employers.

14. Entire Agreement; Amendment. This Agreement cancels and

supersedes all previous agreements relating to the subject matter of this Agreement, written or oral, between the parties hereto and contains the entire understanding of the parties hereto and shall not be amended, modified or supplemented in any manner whatsoever except as otherwise provided herein or in writing signed by each of the parties hereto.

15. Headings. The headings of the sections of this Agreement have

been inserted for convenience of reference only and shall in no way restrict or otherwise modify any of the terms or provisions hereof.

16. Governing Law. This Agreement and all rights and obligations of

the parties hereunder shall be governed by, and construed and interpreted in accordance with, the laws of the State of Missouri applicable to agreements made and to be performed entirely within the State, including all matters of enforcement, validity and performance; provided, however, that to the extent any provision herein is deemed unenforceable in the State of Missouri, then this Agreement shall be governed by, and construed and interpreted in accordance with, the laws of the State of Delaware.

17. Notice. Any notice, request, consent or communication under

this Agreement shall be effective only if it is in writing and personally delivered or sent by certified mail, return receipt requested, postage prepaid, or by a nationally recognized overnight delivery service, with delivery confirmed, addressed as follows:

If to the Company:

Name:	With Copy To:
-----	-----
Inergy Partners, LLC	Stinson, Mag & Fizzell, P.C.
1101 Walnut, Suite 1500	1201 Walnut, Suite 2800
Kansas City, Missouri 64106	Kansas City, Missouri 64106
Attn: John J. Sherman	Attn: Paul E. McLaughlin

If to the Employee:

William C. Gautreaux
1101 Walnut, Suite 1500
Kansas City, Missouri 64106

or such other persons and/or addresses as shall be furnished in writing by any party to the other party, and shall be deemed to have been given only upon its delivery in accordance with this Section 17.

18. Assignment. This Agreement is personal and not assignable by

the Employee but it may be assigned by the Company without notice to or consent of the Employee

to, and shall thereafter be binding upon and enforceable by, any affiliate of the Company, the MLP, and any person which shall acquire or succeed to substantially all of the business or assets of the Company (and such person shall be deemed included in the definition of the "Company" for all purposes of this Agreement) but is not otherwise assignable by the Company.

19. Expenses. If any action at law or in equity is necessary to

enforce or interpret the terms of this Agreement, the prevailing party shall be entitled to reasonable attorney's fees, costs and necessary disbursements in addition to any other relief to which such party may be entitled.

IN WITNESS WHEREOF, the Company has caused this Employment Agreement to be duly executed, and the Employee has hereunto set his hand, as of the day and year first above written.

ENERGY PARTNERS, LLC

By: /s/ John J. Sherman

John J. Sherman, President

/s/ William C. Gautreaux

William C. Gautreaux

CONTRIBUTION, CONVEYANCE, ASSIGNMENT AND

ASSUMPTION AGREEMENT

THIS AGREEMENT (the "Agreement"), is made this ____ day of _____, 2001, by and among the following parties:

ENERGY PARTNERS, LLC, a Delaware limited liability company ("Partners");
ENERGY PROPANE, LLC, a Delaware limited liability company ("Propane");
NEW INERGY PROPANE, LLC, a Delaware limited liability company ("New Propane");
ENERGY, L. P., a Delaware limited partnership ("MLP");
ENERGY GP, LLC, a Delaware limited liability company ("GP");
ENERGY HOLDINGS, LLC, a Delaware limited liability company ("Holdings");
ENERGY SALES & SERVICE, INC., a Delaware corporation ("Inergy S & S");
WILSON OIL COMPANY OF JOHNSTON COUNTY, INC., a North Carolina corporation ("Wilson");
ROLESVILLE GAS AND OIL COMPANY, a North Carolina corporation ("Rolesville") ; and
L & L TRANSPORTATION, LLC, a Delaware limited liability company ("L & L Transportation").

WITNESSETH:

WHEREAS, Holdings has caused to be organized GP as a Delaware limited liability company and, in that regard, acquired all of the interests in GP in exchange for a cash capital contribution of \$1,000; and

WHEREAS, Partners has caused to be organized New Propane as a Delaware limited liability company and, in that regard, acquired all of the interests in New Propane in exchange for a cash capital contribution of \$1,000; and

WHEREAS, GP and Partners have caused to be organized MLP as a Delaware limited partnership of which GP is the managing general partner (with no economic interest) and of which Partners is a non-managing general partner with a 2% interest and is a limited partner with a 98% limited partner interest, all in exchange for an aggregate cash contribution by Partners to MLP of \$1,000; and

WHEREAS, Propane has caused to be organized Inergy S & S as a Delaware corporation of which Propane acquired all of the issued and outstanding capital stock of Inergy S & S which was received in exchange for a cash contribution by Propane to Inergy S & S of \$1,000; and

WHEREAS, attached hereto as Exhibit A is a diagram of the ownership structure of each of the parties hereto as it existed immediately prior to the transactions provided for herein; and

WHEREAS, MLP has filed a registration statement (together with all amendments thereto, the "Registration Statement") with the Securities and Exchange Commission to register the sale to the public of Common Units (the "MLP Common Units") of MLP (such sale to be referred to herein as the "IPO"); and

WHEREAS, MLP has entered into an underwriting agreement with a group of underwriters respecting such IPO and caused the Registration Statement to become effective to permit the sale of MLP Common Units to the public; and

WHEREAS, there are various transactions among the parties hereto which must occur preparatory to entering into such underwriting agreement and completing such IPO, and the parties desire to effect such transactions as hereinafter set forth;

NOW, THEREFORE, the parties hereto do hereby agree as follows:

Article I

Contributions of Assets and Various Interests

1. Contribution of Assets by Partners to Propane. By its execution

and delivery of this Agreement and as a capital contribution to Propane, Partners hereby grants, contributes, transfers, assigns and conveys to Propane, its successors and assigns, for its and their own use forever, all right, title and interest in and to the assets used in the wholesale propane business conducted by Partners and listed on Exhibit B hereto (the "Assets") other than (a) \$_____ in cash, representing all cash and cash equivalents held by Partners as of the date hereof, other than [\$1,800,000] in cash and cash equivalents and (b) the stock of Wilson. Propane hereby accepts the Assets as a capital contribution.

TO HAVE AND HOLD the Assets unto Propane, its successors and assigns, together will all and singular the rights and appurtenances thereto in anywise belonging, subject, however, to the terms and conditions stated in this Agreement, forever.

2. Contribution of Partners' Interest in Propane to MLP and Issuance

of MLP Units to Partners.

(a) By its execution and delivery of this Agreement, Partners hereby grants, contributes, transfers, assigns and conveys to MLP, its successors and assigns, for its and their own use forever, all right, title and interest in and to the 100% common interest in Propane owned by Partners (the "Partners Interest in Propane").

TO HAVE AND HOLD the Partners Interest in Propane unto MLP, its successors and assigns, together will all and singular the rights and appurtenances thereto

in anyway belonging, subject, however, to the terms and conditions stated in this Agreement, forever.

(b) The grant, contribution, transfer, assignment and conveyance provided for in Section 2(a) above is hereby accepted by MLP and MLP hereby (i) agrees to the continuation of Partners' 2% Non-Managing General Partner Interest in MLP and all rights related thereto, (ii) issues to Partners 3,135,831 Senior Subordinated Units of MLP ("MLP Senior Subordinated Units"), (iii) issues to Partners 480,659 Junior Subordinated Units of MLP ("MLP Junior Subordinated Units") and (iv) assumes the obligations of Partners under certain Subordinated Debentures, dated January 12, 2001, in the aggregate principal amount of \$5,000,000.

(c) By its execution and delivery of this Agreement, Wilson and Rolesville each hereby consents to the transfer referenced in Section 2(a) above.

3. Contribution of MLP Units by Partners to New Propane. By its

execution and delivery of this Agreement, Partners hereby grants, contributes, transfers, conveys and assigns to New Propane, its successors and assigns, for its and their own use forever, all right, title and interest in and to [1,082,731] MLP Senior Subordinated Units and 480,659 MLP Junior Subordinated Units owned by Partners in exchange for 100% of the common interest of New Propane (the "New Propane Common Interest"). New Propane hereby accepts such transfer of MLP Senior Subordinated Units and MLP Junior Subordinated Units from Partners and acknowledges the issuance to and ownership by Partners of all of the New Propane Common Interest.

TO HAVE AND HOLD the [1,082,731] MLP Senior Subordinated Units and 480,659 MLP Junior Subordinated Units unto New Propane, its successors and assigns, together will all and singular the rights and appurtenances thereto in anyway belonging, subject, however, to the terms and conditions stated in this Agreement, forever.

TO HAVE AND HOLD the New Propane Common Interest unto Partners, its successors and assigns, together will all and singular the rights and appurtenances thereto in anyway belonging, subject, however, to the terms and conditions stated in this Agreement, forever.

4. Rolesville and Wilson Exchanges.

(a) By its execution and delivery of this Agreement, Rolesville hereby grants, contributes, transfers, conveys and assigns to New Propane, its successors and assigns, for its and their own use forever, all right, title and interest in and to a \$2,780,000 preferred interest in Propane owned by Rolesville (the "Rolesville Propane Interest") in exchange for a \$2,780,000 preferred interest in New Propane (the "Rolesville New Propane Interest").

TO HAVE AND HOLD the Rolesville Propane Interest unto New Propane, its successors and assigns, together will all and singular the rights and

appurtenances thereto in anywise belonging, subject, however, to the terms and conditions stated in this Agreement, forever.

TO HAVE AND HOLD the Rolesville New Propane Interest unto Rolesville, its successors and assigns, together with all and singular the rights and appurtenances thereto in anywise belonging, subject, however, to the terms and conditions stated in this Agreement, forever.

(b) By its execution and delivery of this Agreement, Wilson, hereby grants, contributes, transfers, conveys and assigns to New Propane, its successors and assigns, for its and their own use forever, all right, title and interest in and to a \$2,608,385 preferred interest in Propane owned by Wilson (the "Wilson Propane Interest") in exchange for a \$2,608,385 preferred interest in New Propane (the "Wilson New Propane Interest").

TO HAVE AND HOLD the Wilson Propane Interest unto New Propane, its successors and assigns, together with all and singular the rights and appurtenances thereto in anywise belonging, subject, however, to the terms and conditions stated in this Agreement, forever.

TO HAVE AND HOLD the Wilson New Propane Interest unto Wilson, its successors and assigns, together with all and singular the rights and appurtenances thereto in anywise belonging, subject, however, to the terms and conditions stated in this Agreement, forever.

(c) New Propane hereby accepts the assignments and transfers made in Sections 4(a) and 4(b) and acknowledges the issuance of the preferred interests in New Propane as referenced in said sections.

5. Contribution of Preferred Interest in Propane Held by New

Propane. By its execution and delivery of this Agreement, New Propane hereby

grants, contributes, transfers, conveys and assigns to MLP, its successors and assigns, for its and their own use forever, all right, title and interest in and to a \$5,388,385 preferred interest in Propane held by New Propane (the "New Propane Interest in Propane") in exchange for 177,536 MLP Senior Subordinated Units and 91,883 MLP Junior Subordinated Units. MLP hereby accepts the foregoing transfer and assignment and acknowledges the issuance of the foregoing MLP Units to New Propane.

TO HAVE AND HOLD the New Propane Interest in Propane unto MLP, its successors and assigns, together with all and singular the rights and appurtenances thereto in anywise belonging, subject, however, to the terms and conditions stated in this Agreement, forever.

TO HAVE AND HOLD the 177,536 MLP Senior Subordinated Units and 91,883 MLP Junior Subordinated Units unto New Propane, its successors and assigns, together with all and singular the rights and appurtenances thereto in anywise belonging, subject, however, to the terms and conditions stated in this Agreement, forever.

6. Contribution of Cash by Public to MLP. The parties to this

Agreement acknowledge a cash contribution of [\$34,400,000] from the public to the MLP in exchange for [1,600,000] MLP Common Units.

7. Contribution of Cash by MLP to Propane. By its execution and

delivery of this Agreement, MLP hereby grants, contributes, transfers, conveys and assigns to Propane, its successors and assigns, for its and their own use forever, all cash and cash equivalents MLP holds as a result of the transactions described above, as a result of the IPO and otherwise. Propane hereby accepts such cash as a capital contribution.

8. Propane Uses Cash to Pay Transaction Costs. By its execution and

delivery of this Agreement, Propane hereby agrees to use the cash contributed by MLP to Propane pursuant to Section 6 above to pay all transaction costs relating to the IPO (estimated to be \$5,000,000) and retire approximately [\$24,400,000] of Propane's outstanding indebtedness.

9. Transfer of Incentive Distribution Rights by Partners to

Holdings. By its execution and delivery of this Agreement, Partners hereby

grants, contributes, transfers, conveys and assigns to Holdings, its successors and assigns, for its and their own use forever, all of its right, title and interest in and to the Incentive Distribution Rights of MLP in redemption of a ____% common interest in Partners held by Holdings (the "Holdings Interest in Partners").

TO HAVE AND HOLD the Incentive Distribution Rights unto Holdings, its successors and assigns, together will all and singular the rights and appurtenances thereto in anywise belonging, subject, however, to the terms and conditions stated in this Agreement, forever.

TO HAVE AND HOLD the Holdings Interest in Partners unto New Propane, its successors and assigns, together will all and singular the rights and appurtenances thereto in anywise belonging, subject, however, to the terms and conditions stated in this Agreement, forever.

10. Redemption of Certain Preferred Interest in Partners. By its

execution and delivery of this Agreement, Partners hereby agrees to distribute to certain members of Partners an aggregate of [2,053,118] MLP Senior Subordinated Units in redemption of \$_____ in preferred interests held by such members of Partners.

TO HAVE AND HOLD [2,053,118] MLP Senior Subordinated Units unto certain members of Partners, its successors and assigns, together will all and singular the rights and appurtenances thereto in anywise belonging, subject, however, to the terms and conditions stated in this Agreement, forever.

Article II

Post-Closing Matters

1. Transfer of Assets to S & S Services. By its execution and

delivery of this Agreement, each of Propane and L & L Transportation hereby grants, contributes, transfers, conveys and assigns to S & S Services, its successors and assigns, for its and their own use forever, all of their respective right, title and interest in and to the assets (the "Sales and Service Assets") listed on Exhibits C-1 and C-2, respectively, as a capital contribution to S & S Services by Propane and L&L Transportation. S & S Services accepts the Sales and Service Assets as a capital contribution.

TO HAVE AND HOLD the Sales and Service Assets unto S & S Services, its successors and assigns, together will all and singular the rights and appurtenances thereto in anywise belonging, subject, however, to the terms and conditions stated in this Agreement, forever.

2. Redemption of MLP Limited Partner Interest Held by Partners. By

its execution and delivery of this Agreement, MLP hereby agrees to redeem the limited partner interest in MLP held by Partners (as the Organizational Limited Partner) in exchange for \$1,000 in cash.

3. Purchase of Additional MLP Common Units. The underwriters of the

IPO were granted a 30-day option (the "Option") to purchase up to [240,000] MLP Common Units. In the event the Option is exercised, the parties hereto acknowledge an additional cash contribution of [\$5,160,000] from the public to the MLP in exchange for [240,000] MLP Common Units.

Article III

Assumption of Certain Liabilities

1. Assumption of Certain Liabilities of Partners by Propane. In

connection with the contribution by Partners of the Assets to Propane, as set forth in Section 1 of Article I, Propane hereby assumes and agrees to duly and timely pay, perform and discharge all of the Assumed Liabilities, to the full extent that Partners has been heretofore or would have been in the future, were it not for the execution and delivery of this Agreement, obligated to pay, perform and discharge such Assumed Liabilities; provided, however, that said assumption and agreement to duly and timely pay, perform and discharge the Assumed Liabilities shall not (i) increase the obligation of Propane with respect to the Assumed Liabilities beyond that of Partners, (ii) waive any valid defense that was available to Propane with respect to such Assumed Liabilities or (iii) enlarge any rights or remedies of any third party under any of the Assumed Liabilities.

2. As used in this Article III, the term "Assumed Liabilities" means all of Partners' liabilities arising from or relating to the Assets, of every kind, character and description, whether known or unknown, accrued or contingent, and whether or not reflected on the books and records of Partners.

Article V

Indemnification

1. Indemnification.

(a) Partners, on behalf of itself and its Affiliates (as defined in the Amended and Restated Agreement of Limited Partnership of the MLP) excluding the MLP Entities (as hereinafter defined, shall indemnify, defend and hold harmless the MLP, Propane, Inergy S&S, L&L Transportation LLC and Inergy Transportation LLC (the "MLP Entities") from and against all federal, state and local income tax liabilities attributable to the operation of the Assets and to the operation of the Assets of Propane, in each case, prior to the date of this Agreement, including any such income tax liabilities of any of Partners and its Affiliates that may result from the consummation of the transactions provided for in Sections 1, 2(a) and 5 of Article I of this Agreement.

(b) As used in this Article IV, the term "Indemnifying Party" refers to Partners in the case of any indemnification obligation arising under paragraph (a) above, and the term "Indemnified Party" refers to the MLP Entities, as applicable, in the case of any indemnification obligation arising under paragraph (a) above.

(c) If any action, suit or proceeding shall be brought against an Indemnified Party, or if the Indemnified Party should otherwise become aware of facts giving rise to a claim for indemnification pursuant to paragraph (a) above, the Indemnified Party shall promptly notify the Indemnifying Party in writing specifying the nature of and specific basis for such claim.

(d) The Indemnifying Party shall have the right to control all aspects of the defense of (and any counterclaims with respect to) any claims brought against the Indemnified Party that are covered by the indemnification set forth in paragraph (a) above including, without limitation, the selection of counsel, determination of whether to appeal any decision of any court and the settling of any such matter or any issues relating thereto; provided, however, that no such settlement shall be entered into without the consent of the Indemnified Party unless it includes a full release of the Indemnified Party from such matter or issues, as the case may be.

(e) The Indemnified Party agrees, at its own cost and expense, to cooperate fully with the Indemnifying Party with respect to all aspects of the defense of any claims covered by the indemnification set forth in paragraph (a) above, including, without limitation, the prompt furnishing to the Indemnifying Party of any correspondence or other notice relating thereto that the Indemnified Party may receive, permitting the name(s) of the Indemnified Party to be utilized in connection with such defense, the making available to the Indemnifying Party of any files, records or other information of the Indemnified Party that the Indemnifying Party considers relevant to such defense and the making available to the Indemnifying Party of any employees of the Indemnified Party; provided, however, that in connection therewith the Indemnifying Party agrees to use reasonable efforts to minimize the impact thereof on the operations of such Indemnified Party. In no event shall the obligation of the Indemnified Party to cooperate with the Indemnifying Party as set forth in the immediately preceding sentence

be construed as imposing upon the Indemnified Party an obligation to hire and pay for counsel in connection with the defense of any claims covered by the indemnification set forth in this Article IV; provided, however, that an Indemnified Party may, at its own option, cost and expense, hire and pay for counsel in connection with any such defense. The Indemnifying Party agrees to keep any such counsel hired by the Indemnified Party reasonably informed as to the status of any such defense, but the Indemnifying Party shall have the right to retain sole control over such defense.

(f) In determining the amount of any Losses (as hereinafter defined) for which any Indemnified Party is entitled to indemnification under this Article V, the gross amount thereof will be reduced by any insurance proceeds realized or to be realized by such Indemnified Party, and such correlative insurance benefit shall be net of any insurance premium that becomes due as a result of such claim. "Losses" shall mean means all liabilities, losses, costs, damages (including punitive, consequential and treble damages), penalties or expenses (including, without limitation, reasonable attorneys' fees and expenses and costs of investigation and litigation), and also including any expenditures or expenses incurred to cover, remedy or rectify any such Losses.

Article V

Miscellaneous

1. Order of Transactions. The transactions provided for in

Articles I, II and III of this Agreement shall be completed in the following order:

(a) First, the transactions provided for in Article I shall be completed;

(b) Second, the transactions provided for in Article III shall be completed; and

(c) Third, the transactions provided for in Article II shall be completed.

2. Amendments to Organizational Documents.

(a) The Agreement of Limited Partnership of MLP will be amended and restated to reflect the matters set forth in Articles I and II of this Agreement.

(b) The Limited Liability Company Agreements of the following will be amended (or amended and restated) to reflect the applicable matters set forth in Articles I and II of this Agreement:

- (i) Partners; and
- (ii) New Propane.

3. Representations and Warranties. Each party hereto represents and

warrants to each of the other parties hereto as follows:

(a) Such party has the right, power and authority for, and has taken all necessary corporate and other action to authorize, the execution, delivery and performance of this Agreement;

(b) This Agreement has been duly executed and delivered by the duly authorized officers of such party and constitutes the legal, valid and binding obligation of such party, enforceable in accordance with its terms; and

(c) Any property or right being transferred and assigned by such party hereunder to another party is owned by such transferor/assignor, free and clear of all liens, claims and encumbrances, and upon such transfer the transferee/assignee will succeed to all right, title and ownership in such property or right, other than any security interest, mortgage, lien, claim or encumbrance created pursuant to the _____ Credit Agreement, dated the date hereof, among _____ Bank and _____, _____ and _____.

THE PARTIES ACKNOWLEDGE AND AGREE THAT, EXCEPT FOR THE FOREGOING REPRESENTATIONS AND WARRANTIES, ALL PROPERTY AND RIGHTS TRANSFERRED AND ASSIGNED PURSUANT TO THIS AGREEMENT ARE BEING TRANSFERRED AND ASSIGNED ON AN AS-IS, WHERE-IS BASIS, AND NO OTHER REPRESENTATIONS OR WARRANTIES ARE MADE WITH RESPECT TO SUCH PROPERTY OR RIGHTS.

4. Costs. Each transferee/assignee hereunder shall pay all sales,

use and similar taxes arising out of the contributions, conveyances and deliveries to be made hereunder, and shall pay all documentary, filing, recording, transfer, deed, and conveyance taxes and fees required in connection therewith.

5. Headings. All section headings in this Agreement are for

convenience only and shall not be deemed to control or affect the meaning or construction of any of the provisions hereof.

6. Successors and Assigns. The Agreement shall be binding upon and

inure to the benefit of the parties signatory hereto and their respective successors and assigns.

7. No Third Party Rights. The provisions of this Agreement are

intended to bind the parties signatory hereto as to each other and are not intended to and do not create rights in any other person or confer upon any other person any benefits, rights or remedies and no person is or is intended to be a third party beneficiary of any of the provisions of this Agreement.

8. Counterparts. This Agreement may be executed in any number of

counterparts, all of which together shall constitute one agreement binding on the parties hereto.

9. Governing Law. This Agreement shall be governed by, and construed

in accordance with, the laws of the State of Missouri applicable to contracts made and to be performed wholly within such state without giving effect to conflict of law principles thereof.

10. Severability. If any of the provisions of this Agreement are

held by any court of competent jurisdiction to contravene, or to be invalid under, the laws of any political body having jurisdiction over the subject matter hereof, such contravention or invalidity shall not invalidate the entire Agreement. Instead, this Agreement shall be construed as if it did not contain the particular provision or provisions held to be invalid, and an equitable adjustment shall be made and necessary provision added so as to give effect to the intention of the parties as expressed in this Agreement at the time of execution of this Agreement.

11. Deed; Bill of Sale; Assignment. To the extent required by

applicable law, this Agreement shall also constitute a "deed," "bill of sale" or "assignment" of the Assets.

12. Amendment or Modification. This Agreement may be amended or

modified from time to time only by the written agreement of all the parties hereto.

13. Integration. This Agreement supersedes all previous

understandings or agreements between the parties, whether oral or written, with respect to its subject matter. This document is an integrated agreement which contains the entire understanding of the parties. No understanding, representation, promise or agreement, whether oral or written, is intended to be or shall be included in or form part of this Agreement unless it is contained in a written amendment hereto executed by the parties hereto after the date of this Agreement.

14. Further Assurances. Each party hereto agrees to execute and

deliver such additional instruments, documents and certifications and to take such other action as is necessary or appropriate to carry out the purpose and intent of this Agreement and the transactions contemplated herein.

IN WITNESS WHEREOF, the undersigned have executed the foregoing Agreement as of the day and year first above written.

INERGY HOLDINGS, LLC

By _____
John J. Sherman,
Sole Voting Member

INERGY, L. P.

By: Inergy GP, LLC (its General Partner)

By _____
John J. Sherman
President of Inergy GP, LLC

INERGY PARTNERS, LLC

By _____
John J. Sherman, Representative
of a Voting Member Majority

INERGY PROPANE, LLC*

By _____
John J. Sherman, President

INERGY GP, LLC

By _____
John J. Sherman, President

L & L TRANSPORTATION, LLC

By _____
John J. Sherman, President

NEW INERGY PROPANE, LLC

By _____
John J. Sherman, Representative
of a Voting Member Majority

INERGY TRANSPORTATION, LLC

By _____
John J. Sherman, President

INERGY SALES & SERVICE, INC.

By _____
John J. Sherman, President

WILSON OIL COMPANY OF
JOHNSTON COUNTY, INC.

By _____
John J. Sherman, President

* This assumes this entity will have a board of directors and officers, as is currently under discussion.

ROLESVILLE GAS AND OIL
COMPANY

L & L TRANSPORTATION, LLC

By _____
John J. Sherman, President

By _____
John J. Sherman, President