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

FORM 10-K

(Mark One)
[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Fiscal Year Ended September 30, 2001
OR
[_] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____.

Commission file number: 000-32453

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

Delaware	43-1918951
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1101 Walnut, Suite 1500, Kansas City, Missouri 64106
(Address of principal executive offices) (Zip Code)

(816) 842-8181
(Registrant's telephone number)

SECURITIES REGISTERED UNDER SECTION 12(b) OF THE EXCHANGE ACT:

Title of Each Class	Name of Each Exchange on Which Registered
None	N/A

SECURITIES REGISTERED UNDER SECTION 12(g) OF THE EXCHANGE ACT:
Common Units representing limited partnership interests
(Title of Class)

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

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

The aggregate market value of the 2,174,644 common units of the issuer held by non-affiliates computed by reference to the $27.00 closing prices of such common units on December 27, 2001, is $58,715,388. As of December 27, 2001, the registrant had 2,599,620 common units outstanding.

DOCUMENTS INCORPORATED BY REFERENCE
Portions of the following documents are incorporated by reference into the indicated parts of this report: None.

GUIDE TO READING THIS REPORT

The following information should help you understand some of the conventions used in this report.

- Throughout this report,

  (1) when we use the terms "we," "us," "our Company", "the Partnership" or "Inergy, L.P.," we are referring either to Inergy, L.P., itself, or to Inergy, L.P. and its operating subsidiaries collectively, as the context requires, and

  (2) when we use the term "our predecessor," we are referring to Inergy Partners, LLC, the entity that conducted the business that was transferred to us at the July, 2001 closing of our initial public offering. Inergy, L.P. was formed as a Delaware limited partnership on March 7, 2001 and had no operations until that closing. Our predecessor commenced operations in November 1996. The discussion of our business throughout this report relates to the business operations of us and our predecessor.

- We have a managing general partner and a non-managing general partner. Our managing general partner is responsible for the management of our partnership and its operations are governed by a board of directors. Our managing general partner does not have rights to allocations or distributions from our partnership and will not receive a management fee, but it will be reimbursed for expenses incurred on our behalf. Our non-managing general partner owns a 2% non-managing general partner interest in our partnership. Generally, we refer to each general partner as managing or non-managing, as the case may be. We collectively refer to our managing general partner and our non-managing general partner as our "general partners."

INERGY, L.P.

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PART I

Item 1. Business.

Recent Developments

As discussed in Item 7 and Item 8 and other areas within this Form 10-K and has been previously announced, we acquired the assets of two retail propane distributors subsequent to September 30, 2001. In November, 2001 we acquired the assets of Pro Gas Companies of Michigan with headquarters in Muskegon, Michigan. In December 2001, through an affiliate of our Managing General Partner, we acquired the assets of Independent Propane Company, Inc. with headquarters in Irving, Texas. In addition, in December, 2001 we amended our credit facility in order to facilitate the Independent Propane Company acquisition. The amount available under the credit facility increased from $100 million to $195 million and at December 26, 2001 there was $144 million outstanding under this facility. In addition, we issued 759,620 common units in December 2001 in conjunction with the Independent Propane Company acquisition.

Unless required and specifically indicated otherwise, all information in this Form 10-K relates to the operations of Inergy, L.P. at or prior to September 30, 2001 and does not include the assets or operations of the acquisitions subsequent to September 30, 2001.

General

We own and operate a rapidly growing retail and wholesale propane marketing and distribution business. Since our predecessor's inception in November 1996 and through September 30, 2001, we acquired eleven propane companies for an aggregate purchase price of approximately $120 million, including assumed liabilities and acquisition costs. For the fiscal year ended September 30, 2001, we sold approximately 46.8 million gallons of propane to retail customers and approximately 238.6 million gallons of propane to wholesale customers.

Our retail business includes the retail marketing, sale and distribution of propane, including the sale and lease of propane supplies and equipment, to residential, commercial, industrial and agricultural customers. We market our propane products under four regional brand names: Bradley Propane, Country Gas, Hoosier Propane, and McCracken. We serve approximately 71,000 retail customers in Georgia, Illinois, Indiana, Michigan, North Carolina, Ohio, Tennessee, Virginia and Wisconsin from 30 customer service centers which have an aggregate of approximately 1.8 million gallons of above-ground propane storage capacity. In addition to our retail business, we operate a wholesale supply, marketing and distribution business, providing propane procurement, transportation and supply and price risk management services to our customer service centers, as well as to independent dealers and multistate marketers and, to a lesser extent, selling propane as a standby fuel to industrial end users. We currently provide wholesale supply and distribution services to approximately 350 customers in 24 states, primarily in the Midwest and Southeast.

We have grown primarily through acquisitions of propane operations and, to a lesser extent, through internal growth. Since our initial acquisition of McCracken Oil & Propane Company in 1996 and through September 30, 2001, we completed ten additional acquisitions in North Carolina, Tennessee, Illinois and Indiana. The following chart sets forth information about each company we acquired through September 30, 2001:

Acquisition Date	Company (1)	Location
November 1996	McCracken Oil & Propane Company, LLC	Wake Forest, NC
December 1998	Wilson Oil Company of Johnston County, Inc.	Wilson's Mills, NC

December 1998	Ernie Lee Oil & LP Gas, LLC	Raleigh, NC
May 1999	Langston Gas & Oil Co., Inc.	Four Oaks, NC
July 1999	Castleberry' s, Inc.	Smithfield, NC
August 1999	Rolesville Gas & Oil Company, Inc.	Raleigh, NC
October 1999	Bradley Propane, Inc.	Chattanooga, TN
November 1999	Butane-Propane Gas Company of Tenn., Inc.	Marion, TN
June 2000	Country Gas Company, Inc.	Crystal Lake, IL
November 2000	Bear-Man Propane	Hixson, TN
January 2001	Hoosier Propane Group	Kendallville, IN

_____

(1) Name of acquired company as of acquisition date.

Industry Background and Competition

Propane, a by-product of natural gas processing and petroleum refining, is a clean-burning energy source recognized for its transportability and ease of use relative to alternative stand-alone energy sources. Our retail propane business consists principally of transporting propane to our customer service centers and other distribution areas and then to tanks located on our customers' premises. Retail propane falls into three broad categories: residential, industrial and commercial and agricultural. Residential customers use propane primarily for space and water heating. Industrial customers use propane primarily as fuel for forklifts and stationary engines, to fire furnaces, as a cutting gas, in mining operations and in other process applications. Commercial customers, such as restaurants, motels, laundries and commercial buildings, use propane in a variety of applications, including cooking, heating and drying. In the agricultural market, propane is primarily used for tobacco curing, crop drying, poultry brooding and weed control.

Propane is extracted from natural gas or oil wellhead gas at processing plants or separated from crude oil during the refining process. Propane is normally transported and stored in a liquid state under moderate pressure or refrigeration for ease of handling in shipping and distribution. When the pressure is released or the temperature is increased, it is usable as a flammable gas. Propane is colorless and odorless; an odorant is added to allow its detection. Propane is clean-burning, producing negligible amounts of pollutants when consumed.

The retail market for propane is seasonal because it is used primarily for heating in residential and commercial buildings. Approximately 70-75% of our retail propane volume is sold during the peak heating season from October through March. Consequently, sales and operating profits are generated mostly in the first and fourth calendar quarters of each year.

According to the American Petroleum Institute, the domestic retail market for propane is approximately 11.2 billion gallons annually. This represents approximately 5% of household energy consumption in the United States. Propane competes primarily with natural gas, electricity and fuel oil as an energy source, principally on the basis of price, availability and portability. Propane is more expensive

than natural gas on an equivalent BTU basis in locations served by natural gas, but serves as an alternative to natural gas in rural and suburban areas where natural gas is unavailable or portability of product is required. Historically, the expansion of natural gas into traditional propane markets has been inhibited by the capital costs required to expand pipeline and retail distribution systems. Although the extension of natural gas pipelines tends to displace propane distribution in areas affected, we believe that new opportunities for propane sales arise as more geographically remote neighborhoods are developed. Propane is generally less expensive to use than electricity for space heating, water heating, clothes drying and cooking. Although propane is similar to fuel oil in certain applications and market demand, propane and fuel oil compete to a lesser extent than propane and natural gas, primarily because of the cost of converting to fuel oil. The costs associated with switching from appliances that use fuel oil to appliances that use propane are a significant barrier to switching. By contrast, natural gas can generally be substituted for propane in appliances designed to use propane as a principal fuel source.

In addition to competing with alternative energy sources, we compete with other companies engaged in the retail propane distribution business. Competition in the propane industry is highly fragmented and generally occurs on a local basis with other large full-service multi-state propane marketers, smaller local independent marketers and farm cooperatives. Based on industry publications, we believe that the ten largest retailers account for less than 37% of the total retail sales of propane in the United States, and that no single marketer has a greater than 10% share of the total retail market in the United States. Most of our customer service centers compete with several marketers or distributors. Each customer service center operates in its own competitive environment because retail marketers tend to locate in close proximity to customers. Our typical customer service center generally has an effective marketing radius of approximately 25 miles, although in certain rural areas the marketing radius may be extended by a satellite location.

The ability to compete effectively further depends on the reliability of service, responsiveness to customers and the ability to maintain competitive prices. We believe that our safety programs, policies and procedures are more comprehensive than many of our smaller, independent competitors and give us a competitive advantage over such retailers. We also believe that our service capabilities and customer responsiveness differentiate us from many of these smaller competitors. Our employees are on call 24-hours and seven-days-a-week for emergency repairs and deliveries.

The wholesale propane business is highly competitive. Our competitors in the wholesale business include producers and independent regional wholesalers. We believe that our wholesale supply and distribution business provides us with a stronger regional presence and a reasonably secure, efficient supply base, and positions us well for expansion through acquisitions or start-up operations in new markets.

Retail propane distributors typically price retail usage based on a per gallon margin over wholesale costs. As a result, distributors generally seek to maintain their operating margins by passing costs through to customers, thus insulating themselves from volatility in wholesale propane prices. During periods of sudden price increases in propane at the wholesale level costs, distributors may be unable or unwilling to pass entire cost increases through to customers. In these cases, significant decreases in per gallon margins may result.

The propane distribution industry is characterized by a large number of relatively small, independently owned and operated local distributors. Each year a significant number of these local distributors have sought to sell their business for reasons that include retirement and estate planning. In addition, the propane industry faces increasing environmental regulations and escalating capital requirements needed to acquire advanced, customer-oriented technologies. Primarily as a result of these factors, the industry is undergoing consolidation, and we, as well as other national and regional distributors, have been active consolidators in the propane market. In recent years, an active, competitive market has existed for the acquisition of propane assets and businesses. We expect this acquisition market to continue for the foreseeable future.

Competitive Strengths

We believe that we are well-positioned to compete in the propane industry. Our competitive strengths include:

Proven Acquisition Expertise

Since our predecessor's inception and through September 30, 2001, we have acquired and successfully integrated eleven propane companies with an aggregate purchase price of approximately $120 million, including five propane distributors since September 1999. Our executive officers and key employees, who average more than 15 years experience in the propane industry, have developed business relationships with retail propane owners and businesses throughout the United States. These significant industry contacts have enabled us to negotiate all of our acquisitions on an exclusive basis. This acquisition expertise should allow us to continue to grow through strategic and accretive acquisitions. Our acquisition program will continue to seek:

- businesses in geographical areas experiencing higher-than-average population growth;
- established names with local reputations for customer service and reliability;
- high concentration of propane sales to residential customers; and
- the retention of key employees in acquired businesses.

Internal Growth

We consistently promote internal growth in our retail operations through a combination of marketing programs and employee incentives. We enjoy strong relationships with builders, mortgage companies and real estate agents which enable us to access customers as new residences are built. We also provide various financial incentives for customers who sign up for our automatic delivery program, including level payment, fixed price and price cap programs. We provide all customers with supply, repair and maintenance contracts and 24-hour customer service. Finally, we have instituted an employee bonus program and other incentives that foster an entrepreneurial environment by rewarding employees who expand revenues by attracting new customers while controlling costs. We intend to continue to aggressively seek new customers and promote internal growth through local marketing and service programs in our residential propane business.

Operations in High Growth Markets

Our Southeastern operations, which represented approximately 37% of our retail volumes for the fiscal year ended September 30, 2001, are concentrated in higher-than-average population growth areas, where natural gas distribution is not cost effective. These markets have experienced strong economic growth which has spurred the development of sizable, low density and relatively affluent residential communities which are significant consumers of propane. We intend to pursue acquisitions in similar high growth markets.

Regional Branding

We believe that our success in generating internal growth at our customer service centers results from our operation under established, locally recognized trade names. We attempt to capitalize on the reputation of the companies we acquire by retaining their local brand names and employees, thereby preserving the goodwill of the acquired business and fostering employee loyalty and customer retention. Employees at our local branches will continue to manage our marketing programs, new business development, customer service and customer billing and collections. Our employee incentive programs encourage efficiency and allow us to control costs at the corporate and field levels.

High Percentage of Retail Sales to Residential Customers

Our retail propane operations concentrate on sales to residential customers. Residential customers tend to generate higher margins and are generally more stable purchasers than other customers. For the fiscal year ended September 30, 2001, sales to residential customers represented approximately 70% of our retail propane gallons sold and approximately 77% of our retail gross profits. Although overall demand for propane is affected by weather and other factors, we believe that residential propane consumption is not materially affected by general economic conditions because most residential customers consider home space heating to be an essential purchase. In addition, we own approximately 90% of the propane tanks located at our customers' homes. In many states, fire safety regulations restrict the refilling of a leased tank solely to the propane supplier that owns the tank. These regulations, which require customers to switch propane tanks when they switch suppliers, help enhance the stability of our customer base because of the inconvenience and costs involved with switching tanks and suppliers.

Strong Wholesale Supply, Marketing and Distribution Business

One of our distinguishing strengths is our procurement and distribution expertise and capabilities. For the fiscal year ended September 30, 2001, we sold approximately 239 million gallons of propane on a wholesale basis to independent dealers and multistate marketers. These operations are significantly larger on a relative basis than the wholesale operations of most publicly traded propane businesses. We also provide transportation services to these distributors through our fleet of transport vehicles and price risk management services to our customers through a variety of financial and other instruments. Our wholesale business provides us with a growing income stream as well as valuable market intelligence and awareness of potential acquisition opportunities. Because we sell on a wholesale basis to many residential and commercial retailers, we have an ongoing relationship with a large number of businesses that may be attractive acquisition opportunities for us. In addition, because of the scale of our wholesale purchases, we believe that we will have an adequate supply of propane to support our growing retail operations at prices which are generally available only to large wholesale purchasers. This purchasing scale and resulting expertise also helps us avoid shortages during periods of tight supply to an extent not generally available to other retail propane distributors. Moreover, the presence of our trucks across the Midwest and Southeast allows us to take advantage of various pricing and distribution inefficiencies that exist in the market from time to time.

Flexible Financial Structure

As of December 26, 2001, we have a $50.0 million working capital facility, approximately $12 million of which has been drawn upon, a $75.0 million revolving acquisition facility, approximately $62.0 million of which has been drawn upon, and a $70.0 million one year acquisition term loan which is completely drawn.. We believe our available capacity under these facilities combined with our ability to fund acquisitions through the issuance of additional partnership interests will provide us with a flexible financial structure that will facilitate our acquisition strategy.

Our primary objective is to increase distributable cash flow for our unitholders, while maintaining the highest level of commitment and service to our customers. We intend to pursue this objective by capitalizing on our competitive strengths.

Retail Operations

We currently distribute propane to approximately 71,000 retail customers in nine states from 30 customer service centers. We market propane primarily in rural areas, but also have a significant number of customers in suburban areas where energy alternatives to propane such as natural gas are generally not available.

We market our propane primarily in the Southeast and Midwest regions of the United States through our customer service centers using four regional brand names. The following chart shows our customer service centers by location.

Bradley Propane	Hoosier Propane
Chattanooga, TN	Albion, IN
Cleveland, TN	Barryton, MI
Etowah, TN	Blakeslee, OH
	Cecil, OH
Country Gas	Decatur, IN
Crystal Lake, IL (Chicago area)	Greenfield, IN
Wasco, IL	Hillman, MI
	Marion, IN
McCracken	Mendon, MI
Creedmoor, NC	Monrovia, IN
Fremont, NC	Pendleton, IN
Garner, NC	Roanoke, IN
Louisburg, NC	Shipshewana, IN
Oxford, NC	South Whitley, IN
Rolesville, NC	Stanton, MI
Spring Hope, NC	Waterloo, IN
Wake Forest, NC	
Wilson's Mills, NC	

From our customer service centers, we also sell, install and service equipment related to our propane distribution business, including heating and cooking appliances. Typical customer service centers consist of an office and service facilities, with one or more 12,000 to 30,000 gallon bulk storage tanks. Some of our customer service centers also have an appliance showroom. We have 29 satellite facilities that typically contain only large capacity storage tanks. We have approximately 1.8 million gallons of above-ground propane storage capacity at our customer service centers and satellite locations.

Retail deliveries of propane are usually made to customers by means of our fleet of bobtail and rack trucks. At September 30, 2001, we operated 117 bobtail and rack trucks. Propane is pumped from the bobtail truck, which generally holds 2,500 to 3,000 gallons, into a stationary storage tank at the customer's premises. The capacity of these tanks ranges from approximately 100 gallons to approximately 1,200 gallons, with a typical tank having a capacity of 100 to 300 gallons in milder climates and 500 to 1,000 gallons in colder climates. We also deliver propane to retail customers in portable cylinders, which typically have a capacity of five to 35 gallons. These cylinders are picked up and replenished at our distribution locations, then returned to the retail customer. To a limited extent, we also deliver propane to certain end users in larger trucks known as transports, which have an average capacity of approximately 10,000 gallons. At September 30, 2001 we operated 74 transports. These customers include industrial customers, large-scale heating accounts and large agricultural accounts.

During the fiscal year ended September 30, 2001, approximately 16% and 84% of our propane sales by volume of gallons sold were to retail and wholesale customers, respectively. Our retail sales were comprised of approximately:

- 70% to residential customers;
- 20% to industrial and commercial customers; and
- 10% to agricultural customers.

Sales to residential customers during the fiscal year ended September 30, 2001, accounted for approximately 77% of our gross profit on retail propane sales, reflecting the higher-margin nature of this segment of the market. No single retail customer accounted for more than 1% of our pro forma revenue during the fiscal year ended September 30, 2001. No single wholesale customer accounted for more than 5% of our pro forma revenue for the same period.

Approximately 50% of our residential customers receive their propane supply under an automatic delivery program. Under the automatic delivery program, we deliver propane to our heating customers approximately six times during the year. We determine the amount of propane delivered based on weather conditions and historical consumption patterns. Our automatic delivery program eliminates the customer's need to make an affirmative purchase decision, promotes customer retention by ensuring an uninterrupted supply and enables us to efficiently route deliveries on a regular basis. We promote this program by offering level payment billing, discounts, fixed price options and price caps. In addition, we provide emergency service 24 hours a day, seven days a week, 52 weeks a year. More than 90% of our retail propane customers lease their tanks from us. In most states, due to fire safety regulations, a leased tank may only be refilled by the propane distributor that owns that tank. The inconvenience and costs associated with switching tanks and suppliers greatly reduces a customer's tendency to change distributors. Our tank lease programs are very valuable to us from the standpoint of retaining customers and maintaining profitability.

The propane business is very seasonal with weather conditions significantly affecting demand for propane. We believe that the geographic diversity of our areas of operations helps to minimize our exposure to regional weather. Although overall demand for propane is affected by climate, changes in price and other factors, we believe our residential and commercial business to be relatively stable due to the following characteristics: (i) residential and commercial demand for propane has been relatively unaffected by general economic conditions due to the largely non-discretionary nature of most propane purchases by our customers, (ii) loss of customers to competing energy sources has been low, (iii) the tendency of our customers to remain with us due to the product being delivered pursuant to a regular delivery schedule and to our ownership of over 90% of the storage tanks utilized by our customers and (iv) our ability to offset customer losses through internal growth of our customer base in existing markets. Since home heating usage is the most sensitive to temperature, residential customers account for the greatest usage variation due to weather. Variations in the weather in one or more regions in which we operate, however, can significantly affect the total volumes of propane we sell and the margins we realize and, consequently, our results of operations. We believe that sales to the commercial and industrial markets, while affected by economic patterns, are not as sensitive to variations in weather conditions as sales to residential and agricultural markets.

Wholesale Supply, Marketing and Distribution Operations

In addition to our core retail operations, we are also engaged in the wholesale marketing of propane to independent dealers, multi-state marketers and, to a lesser extent, local gas utilities that use propane as supplemental fuel to meet peak demand requirements. We currently provide wholesale supply, marketing and distribution services to 350 customers in 24 states, primarily in the Midwest and Southeast. Our wholesale supply, marketing and distribution operations accounted for approximately 84% of total volumes and 15% of our gross profit during the fiscal year ended September 30, 2001.

One of our distinguishing strengths is our procurement and distribution expertise and capabilities. For the fiscal year ended September 30, 2001, we sold approximately 239 million gallons of propane on a wholesale basis to independent dealers and multistate marketers. Because of the size of our wholesale operations, we have developed significant procurement and distribution expertise. This is partly the result of the unique background of our management team, which has significant experience in the procurement aspects of the propane business. We also offer transportation services to these distributors through our fleet of transport trucks and price risk management services to our customers through a variety of financial and other instruments. Our wholesale supply, marketing and distribution business provides us

with a relatively stable and growing income stream as well as extensive market intelligence and acquisition opportunities. In addition, these operations provide us with more secure supplies and better pricing for our customer service centers. Moreover, the presence of our trucks across the Midwest and Southeast allows us to take advantage of various pricing and distribution inefficiencies that exist in the market from time to time.

Transportation Assets, Truck Fabrication and Maintenance

Our transportation assets are owned and operated by L&L Transportation, LLC, a wholly-owned subsidiary of our operating company. The transportation of propane requires specialized equipment. Propane trucks carry specialized steel tanks that maintain the propane in a liquefied state. As of September 30, 2001, we owned a fleet of 27 tractors, 74 transports, 117 bobtail and rack trucks and 98 other service and pick-up trucks. The average age of our trucks between five and six years. In addition to supporting our retail and wholesale propane operations, our trucks are used to deliver butane and ammonia for third parties and to distribute natural gas for various processors and refiners.

We own truck fabrication and maintenance facilities located in Waterloo, Indiana and additional maintenance facilities in Zephyrhills, Florida. We believe that our ability to build and maintain the trucks we use in our propane operations significantly reduces the costs we would otherwise incur in purchasing and maintaining our fleet of trucks. We also sell a limited number of trucks to third parties.

Supply

We obtain propane from over 50 vendors at approximately 75 locations. During the fiscal year ended September 30, 2001, BP Amoco p.l.c., Louis Dreyfus Energy Services,L.P. and Exxon Mobile Corporation each accounted for approximately 13% of our volume of propane purchases. Substantially all of these purchases were made under supply contracts that have a term of one year, are subject to annual renewal and provide various pricing formulas. No other single supplier accounted for more than 10% of our volume propane purchases during the fiscal year ended September 30, 2001. We believe that our diversification of suppliers will enable us to purchase all of our supply needs at market prices if supplies are interrupted from any of the sources without a material disruption of our operations.

We purchased approximately 90% of our propane supplies from domestic suppliers during the fiscal year ended September 30, 2001. Our remaining purchases were from suppliers in Canada. During the fiscal year ended September 30, 2001, we purchased approximately 50% of our propane supplies pursuant to contracts that have a term of one year; the balance of our purchases were made on the spot market. The percentage of our contract purchases varies from year to year. Supply contracts generally provide for pricing in accordance with posted prices at the time of delivery or the current prices established at major storage points, and some contracts include a pricing formula that typically is based on such market prices. Some of these agreements provide maximum and minimum seasonal purchase guidelines.

Propane is generally transported from refineries, pipeline terminals, storage facilities and marine terminals to our 49 storage facilities. We accomplish this by using our transports and contracting with common carriers, owner-operators and railroad tank cars. Our customer service centers and satellite locations typically have one or more 12,000 to 30,000 gallon storage tanks, generally adequate to meet customer usage requirements for seven days during normal winter demand. Additionally, we lease underground storage facilities from third parties under annual lease agreements.

We engage in risk management activities in order to reduce the effect of price volatility on our product costs and to help insure the availability of propane during periods of short supply. We are currently a party to propane futures transactions on the New York Mercantile Exchange and to forward and option contracts with various third parties to purchase and sell propane at fixed prices in the future. We monitor these activities through enforcement of our risk management policy.

Pricing Policy

Our pricing policy is an essential element in our successful marketing of propane. We base our pricing decisions on, among other things, prevailing supply costs, local market conditions and local management input. We rely on our regional management to set prices based on these factors. Our local managers are advised regularly of any changes in the posted prices of our propane suppliers. We believe our propane pricing methods allow us to respond to changes in supply costs in a manner that protects our customer base and gross margins. In some cases, however, our ability to respond quickly to cost increases could occasionally cause our retail prices to rise more rapidly than those of our competitors, possibly resulting in a loss of customers.

Billing and Collection Procedures

We retain our customer billing and account collection responsibilities at the local level. We believe that this decentralized approach is beneficial for a number of reasons:

- customers are billed on a timely basis;
- customers are more apt to pay a local business;
- cash payments are received faster; and
- local personnel have current account information available to them at all times in order to answer customer inquiries.

Trademark and Tradenames

We use a variety of trademarks and tradenames which we own, including "Inergy" and "Inergy Services." We believe that our strategy of retaining the names of the companies we acquire has maintained the local identification of such companies and has been important to the continued success of these businesses. Our most significant trade names are "Bradley Propane," "Country Gas," "Hoosier Propane" and "McCracken." We regard our trademarks, tradenames and other proprietary rights as valuable assets and believe that they have significant value in the marketing of our products.

Employees

As of December 15, 2001, we had 394 full-time employees of which 31 were general and administrative and 363 were operational employees. We employed 13 part-time employees, all of whom were operational employees. None of our employees is a member of a labor union. We believe that our relations with our employees are satisfactory.

Government Regulation

We are subject to various federal, state and local environmental, health and safety laws and regulations related to our propane business as well as those related to our ammonia and butane transportation operations. Generally, these laws impose limitations on the discharge of pollutants and establish standards for the handling of solid and hazardous wastes. These laws generally include the Resource Conservation and Recovery Act, the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), the Clean Air Act, the Occupational Safety and Health Act, the Emergency Planning and Community Right to Know Act, the Clean Water Act and comparable state or local statutes. CERCLA, also known as the "Superfund" law, imposes joint and several liability without regard to fault or the legality of the original conduct on certain classes of persons that are considered to have contributed to the release or threatened release of a hazardous substance into the environment. While propane is not a hazardous substance within the meaning of CERCLA, other chemicals used in our operations may be classified as hazardous. These laws and regulations could result in civil or criminal penalties in cases of non-compliance or impose liability for remediation costs. To date, we have not received any notices in which we are alleged to have violated or otherwise incurred liability under any of the above laws and regulations.

For acquisitions that involve the purchase of real estate, we conduct a due diligence investigation to attempt to determine whether any substance has been sold from, or stored on, or released or spilled from any of that real estate prior to its purchase. This due diligence includes questioning the seller, obtaining representations and warranties concerning the seller's compliance with environmental laws and performing site assessments. During this due diligence our employees, and, in certain cases, independent environmental consulting firms, review historical records and databases and conduct physical investigations of the property to look for evidence of hazardous substance contamination, compliance violations and the existence of underground storage tanks.

National Fire Protection Association Pamphlets No. 54 and No. 58, which establish rules and procedures governing the safe handling of propane, or comparable regulations, have been adopted as the industry standard in all of the states in which we operate. In some states these laws are administered by state agencies, and in others they are administered on a municipal level. Regarding the transportation of propane, ammonia and butane by truck, we are subject to regulations promulgated under the Federal Motor Carrier Safety Act. These regulations cover the transportation of hazardous materials and are administered by the United States Department of Transportation. We conduct ongoing training programs to help ensure that our operations are in compliance with applicable regulations. We maintain various permits that are necessary to operate some of our facilities, some of which may be material to our operations. Management believes that the procedures currently in effect at all of our facilities for the handling, storage and distribution of propane and the transportation of ammonia and butane are consistent with industry standards and are in compliance in all material respects with applicable laws and regulations.

On August 18, 1997, the U.S. Department of Transportation published its Final Rule for Continued Operation of the Present Propane Trucks. This final rule is intended to address perceived risks during the transfer of propane and required certain immediate changes in industry operating procedures, including retrofitting all propane delivery trucks. We, as well as the National Propane Gas Association and the propane industry in general, believe that the Final Rule for Continued Operation of the Present Propane Trucks cannot practicably be complied with in its current form. On October 15, 1997, five of the principal multi-state propane marketers, all of whom were unrelated to us, filed an action against the U.S. Department of Transportation in the United States District Court for the Western District of Missouri seeking to enjoin enforcement of the Final Rule for Continued Operation of the Present Propane Trucks. On February 13, 1998, the Court issued a preliminary injunction prohibiting the enforcement of this final rule pending further action by the Court. This suit is still pending. In addition, Congress passed, and on October 21, 1998, the President of the United States signed, the FY 1999 Transportation Appropriations Act, which included a provision restricting the authority of the U.S. Department of Transportation from

enforcing specific provisions of the Final Rule for Continued Operation of the Present Propane Trucks. At this time, Inergy cannot determine the likely outcome of the litigation or the proposed legislation or what the ultimate long-term cost of compliance with the Final Rule for Continued Operation of the Present Propane Trucks will be to Inergy and the propane industry in general.

Future developments, such as stricter environmental, health or safety laws and regulations could affect our operations. It is not anticipated that our compliance with or liabilities under environmental, health and safety laws and regulations, including CERCLA, will have a material adverse effect on us. To the extent that we do not know of any environmental liabilities, or environmental, health or safety laws, or regulations are made more stringent, there can be no assurance that our results of operations will not be materially and adversely affected.

Item 2. Properties.

We own 29 of our 60 customer service centers, satellite storage facilities and administrative offices and lease the balance. Our headquarters in Kansas City, Missouri are leased. We operate bulk storage facilities at 49 locations and own 25 of the storage locations. We lease underground storage facilities with an aggregate capacity of approximately 23 million gallons of propane at eight locations under annual lease agreements. We also lease capacity in seven pipelines pursuant to annual lease agreements.

Tank ownership and control at customer locations are important components to our operations and customer retention. As of September 30, 2001 we owned the following:

- 74 bulk storage tanks with typical capacities of 12,000 to 30,000 gallons,
- approximately 50,000 stationary customer storage tanks with typical capacities of 100 to 1,200 gallons, and
- approximately 30,000 portable propane cylinders with typical capacities of up to 35 gallons.

We believe that we have satisfactory title or valid rights to use all of our material properties. Although some of these properties are subject to liabilities and leases, liens for taxes not yet due and payable, encumbrances securing payment obligations under non-competition agreements entered in connection with acquisitions and immaterial encumbrances, easements and restrictions, we do not believe that any of these burdens will materially interfere with our continued use of these properties in our business, taken as a whole. Our obligations under our borrowings are secured by liens and mortgages on all of our real and personal property.

In addition, we believe that we have, or are in the process of obtaining, all required material approvals, authorizations, orders, licenses, permits, franchises and consents of, and have obtained or made all required material registrations, qualifications and filings with, the various state and local governmental and regulatory authorities which relate to ownership of our properties or the operations of our business.

Item 3. Legal Proceedings.

Our operations are subject to all operating hazards and risks normally incidental to handling, storing, transporting and otherwise providing for use by consumers of combustible liquids such as propane. As a result, at any given time we are a defendant in various legal proceedings and litigation arising in the ordinary course of business. We maintain insurance policies with insurers in amounts and with coverages and deductibles as the managing general partner believes are reasonable and prudent. However, we cannot assure that this insurance will be adequate to protect us from all material expenses related to potential future claims for personal and property damage or that these levels of insurance will

be available in the future at economical prices. In addition, the occurrence of an explosion may have an adverse effect on the public's desire to use our products.

Item 4. Submission of Matters to a Vote of Security Holders.

No matter was submitted to a vote of the holders of our Company's common units during the fourth quarter of the fiscal year ended September 30, 2001.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters.

Since July 31, 2001 the Partnership's common units representing limited partner interests have been traded on Nasdaq's national market under the symbol "NRGY." The following table sets forth the range of high and low bid prices of the common units, as reported by Nasdaq, as well as the amount of cash distributions paid per common unit with respect to each such quarter.

	Price Range		Cash
2001 Fiscal Year	High	Low	Distribution
Fourth Quarter beginning July 31, 2001	$27.28	$21.90	$0.40*

* Prorated for the period between the closing of our Company's initial public offering on July 31, 2001 and September 30, 2001, based on a minimum quarterly distribution of $0.60 per common unit, and paid November 14, 2001 to holders of record of our common units on November 7,, 2001.

As of December 26, 2001, our Company had issued and outstanding 2,599,620 common units, which were held of record by approximately 3,500 persons. 759,620 of these common units are currently unregistered units. In addition, as of that date our company had 3,313,367 senior subordinated units representing limited partner interests and 572,542 junior subordinated units representing limited partner interests. There is no established public trading market for our Company's subordinated units.

On December 20, 2001 we issued 759,620 common units in connection with the IPC acquisition. 394,601 of these common units were issued to IPCH Acquisition Corp., an affiliate of Inergy Holdings, LLC and 365,019 of these units were issued to former owners of IPC. The common units were issued in reliance upon the exemption from registration afforded by Rule 506 of Regulation D.

Our Company makes quarterly distributions to its partners within approximately 45 days after the end of each fiscal quarter in an aggregate amount equal to its available cash (as defined) for such quarter. Available cash generally means, with respect to each fiscal quarter, all cash on hand at the end of the quarter less the amount of cash that the managing general partner determines in its reasonable discretion is necessary or appropriate to:

- provide for the proper conduct of our business,
- comply with applicable law, any of our debt instruments, or other agreements, or
- provide funds for distributions to unitholders and to our non-managing general partner for any one or more of the four quarters ending September 30, 2002,

plus all cash on hand on the date of determination of available cash for the quarter resulting from working capital borrowings made after the end of the quarter. Working capital borrowings are generally borrowings that are made under our working capital facility and in all cases are used solely for working capital purposes or to pay distributions to partners. The full definition of available cash is set forth in the Amended and Restated Agreement of Limited Partnership of Inergy, L.P., which is incorporated by reference herein as an exhibit to this report.

During the subordination period referred to below, our common units will have the right to receive distributions of available cash from operating surplus in an amount equal to the minimum quarterly distribution of $0.60 per quarter, plus any arrearages in the payment of the minimum quarterly

distribution on the common units from prior quarters, before any distributions of available cash from operating surplus may be made on any junior or senior subordinated units. There is no guarantee that we will pay the minimum quarterly distribution on the common units in any quarter, and we will be prohibited from making any distributions to unitholders if it would cause an event of default under our credit facility. The information concerning restrictions on distributions required by this Item 5 is incorporated herein by reference to Note 4 to our Consolidated Financial Statements. The subordination period generally will not end earlier than June 30, 2006 with respect to the senior subordinated units and June 30, 2008 with respect to the junior subordinated units.

Item 6. Selected Financial Data.

	Inergy L.P. and Predecessor (a)				
	November 8, 1996 to September 30,	Years Ended September 30,			
	1997	1998	1999	2000	2001
	(in thousands)				
Statement of Operations Data:					
Revenues	$ 6,966	$ 7,507	$ 19,211	$ 93,595	$ 223,139
Cost of product sold	4,366	4,215	13,754	81,636	182,582
Gross profit	2,600	3,292	5,457	11,959	40,557
Expenses:					
Operating and administrative(b)	2,196	2,424	4,119	8,990	23,501
Depreciation and amortization	325	394	690	2,286	6,532
Operating income	79	474	648	683	10,524
Other income (expense):					
Interest expense	(398)	(569)	(962)	(2,740)	(6,670)
Gain on sale of property, plant and equipment	-	-	101	-	37
Finance Charges	44	59	79	176	290
Other	1	1	5	59	168
Income (loss) before income taxes	(274)	(35)	(129)	(1,822)	4,349
Provision for income taxes	-	-	56	7	-
Net income (loss)	$ (274)	$ (35)	$ (185)	$ (1,829)	$ 4,349
Balance Sheet Data (end of period):					
Current assets	$ 2,282	$ 2,119	$ 11,390	$ 22,199	$ 36,920
Total assets	8,457	10,230	38,896	68,924	155,653
Long-term debt, including current portion	5,382	5,694	22,337	34,927	54,132
Redeemable preferred members' interest	-	-	-	10,896	-
Members' equity	1,209	2,611	5,269	2,972	-
Partners' capital	-	-	-	-	72,754
Other Financial Data:					
EBITDA(unaudited)	$ 449	$ 928	$ 1,523	$ 3,204	$ 17,551
Net cash provided by (used in) operating activities	555	362	(774)	(222)	4,659
Net cash used in investing activities	(6,640)	(727)	(13,130)	(12,464)	(64,025)
Net cash provided by financing activities	6,114	336	14,056	13,907	60,164
Maintenance capital expenditures(c) (unaudited)	(d)	61	156	283	1,901

Other Operating Data (unaudited):					
Retail propane gallons sold	4,765	5,612	8,006	18,112	46,750
Wholesale propane gallons sold	N/A	N/A	24,735	146,644	238,649
Reconciliation of Net Income (Loss) to EBITDA:					
Net income (loss)	$ (274)	$ (35)	$ (185)	$ (1,829)	$ 4,349
Plus:					
Income taxes	-	-	56	7	-
Interest expense	398	569	962	2,740	6,670
Depreciation and amortization expense	325	394	690	2,286	6,532
	449	928	1,523	3,204	17,551
Less:					
Interest Income	-	-	-	-	-
EBITDA	$ 449	$ 928	$ 1,523	$ 3,204	$ 17,551

(a) Represents selected financial data of Inergy Partners, LLC. and subsidaries prior to July 31, 2001 and Inergy, L.P. thereafter.

(b) The historical financial statements include non-cash charges related to amortization of deferred compensation of $78,000, $79,000 and $234,000 for the years ended September 30, 1999, 2000 and 2001, respectively.

(c) Capital expenditures fall generally into three categories: (1) growth capital expenditures, which include expenditures for the purchase of new propane tanks and other equipment to facilitate expansion of our retail customer base, (2) maintenance capital expenditures, which include expenditures for repair and replacement of property, plant and equipment, and (3) acquisition capital expenditures.

(d) Maintenance capital expenditures are not available for this period.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation.

General

We are a Delaware limited partnership formed in March 2001 to own and operate a rapidly growing retail and wholesale propane marketing and distribution business. Our retail business includes the retail marketing, sale and distribution of propane, including the sale and lease of propane supplies and equipment, to residential, commercial, industrial and agricultural customers. In addition to our retail business, we operate a wholesale supply, marketing and distribution business, providing propane procurement, transportation, supply and price risk management services to our customer service centers, as well as to independent dealers and multistate marketers and, to a lesser extent, selling propane as standby fuel to industrial end-users.

The results of operations discussed below are those of our predecessor, Inergy Partners, LLC through July 31, 2001, the date of Inergy L.P.'s initial public offering. Audited financial statements for the Inergy, L.P. and Inergy Partners, LLC as its predecessor are included elsewhere in this Form 10-K.

Since the inception of our predecessor, Inergy Partners, LLC, in November 1996 and through September 30, 2001, we acquired 11 propane companies for an aggregate purchase price of approximately $120 million, including assumed liabilities and acquisition costs.

The retail distribution business is largely seasonal due to propane's primary use as a heating source in residential and commercial buildings. As a result, cash flows from operations are highest from

November through April when customers pay for propane purchased during the six-month peak heating season of October through March. We generally experience losses in the six-month, off season of April through September.

Because a substantial portion of our propane is used in the weather-sensitive residential markets, the temperatures realized in our areas of operations, particularly during the six-month peak heating season, have a significant effect on our financial performance. In any given area, warmer-than-normal temperatures will tend to result in reduced propane use, while sustained colder-than-normal temperatures will tend to result in greater propane use. Therefore, we use information on normal temperatures in understanding how historical results of operations are affected by temperatures that are colder or warmer than normal and in preparing forecasts of future operations, which are based on the assumption that normal weather will prevail in each of our regions. "Heating degree days" are a general indicator of weather impacting propane usage and are calculated by taking the difference between 65 degrees and the average temperature of the day (if less than 65 degrees).

In determining actual and normal weather for a given period of time, we compare the actual number of heating degree days for such period to the average number of heating degree days for a longer time period assumed to more accurately reflect the average normal weather, in each case as such information is published by the National Oceanic and Atmospheric Administration, for each measuring point in each of our regions. When we discuss "normal" weather in our results of operations presented below we are referring to a 30 year average consisting of the years 1961 through 1990. We then calculate weighted averages, based on retail volumes attributable to each measuring point, of actual and normal heating degree days within each region. Based on this information, we calculate a ratio of actual heating degree days to normal heating degree days, first on a regional basis and then on a partnership-wide basis.

We engage in hedging transactions to reduce the effect of price volatility on our product costs and to help ensure the availability of propane during periods of short supply. We attempt to balance our contractual portfolio by purchasing volumes only when we have a matching purchase commitment from our wholesale customers. However, we may experience net unbalanced positions from time to time which we believe to be immaterial in amount. In addition to our ongoing policy to maintain a balanced position, for accounting purposes we are required, on an ongoing basis, to track and report the market value of our purchase obligations and our sales commitments.

Results of Operations

Fiscal Year Ended September 30, 2001 Compared to Fiscal Year Ended September 30, 2000

Volume. During fiscal 2001, we sold 46.8 million retail gallons of propane, an increase of 28.7 million gallons, or 158%, from the 18.1 million retail gallons sold in fiscal 2000. The increase in retail sales volume was principally due to the acquisitions of Country Gas (7.6 million gallons) and the Hoosier Propane Group (16.3 million gallons). In addition, internal growth and the fact that the year ended September 30, 2001 was approximately 15.8% colder than the year ended September 30, 2000 and approximately 1.4% colder than normal in our retail areas of operation resulted in increased sales of approximately 4.8 million gallons.

Wholesale gallon sales increased 92.0 million gallons, or 63%, to 238.6 million gallons in fiscal 2001 from 146.6 million gallons in fiscal 2000. This increase was attributable to the continued growth of our wholesale sales operations, which were initiated after the fiscal 1999 winter season, and the acquisition of the Hoosier Propane Group. In addition, fiscal 2001 was approximately 8% colder than fiscal 2000 and slightly warmer than normal in our wholesale areas of operations.

Revenues. Revenues in fiscal 2001 were $223.1 million, an increase of $129.5 million, or 138%, over $93.6 million of revenues in fiscal 2000. Revenues from retail propane sales increased $41.7 million, or 221%, from $18.9 million in fiscal 2000 to $60.6 million in fiscal 2001. This increase was

attributable to the acquisitions of Country Gas ($10.5 million) and the Hoosier Propane Group ($19.9 million), higher sales prices ($4.6 million) with the remaining increase ($6.7 million) due to volume increases due to growth and colder weather in our retail areas of operations. Revenues from wholesale propane sales increased $81.7 million, or 116%, from $70.1 million in fiscal 2000 to $151.8 million (after elimination of sales to our retail operations) in fiscal 2001. Approximately $23.1 million resulted from increased selling prices and the remaining $58.6 million was attributed to our growth and colder weather described above. Transportation revenues of $6.0 million were attributable to the acquisition of the Hoosier Propane Group. Other retail revenues increased approximately $0.1 million, or 2%, from $4.6 million in fiscal 2000 to $4.7 million in fiscal 2001. These revenues consist of tank rentals, heating oil sales, appliance sales and service.

Cost of Product Sold. Cost of product sold in fiscal 2001 was $182.6 million, an increase of $101.0 million, or 124%, over fiscal 2000 cost of sales of $81.6 million. The increase was principally attributable to the significant increases in wholesale and retail volumes (approximately $75.9 million) and an increase in the average cost of propane (approximately $21.7 million). In addition, the Partnership recorded an increase in cost of product sold in fiscal 2001 of approximately $0.6 million associated with a counterparty who was involuntarily petitioned into bankruptcy in December 2001.

Gross Profit. Retail gross profit was $34.6 million in fiscal 2001 compared to $10.7 million in fiscal 2000, an increase of $23.9 million, or 223%. This increase was primarily attributable to higher retail gallons (approximately $17.4 million) and an increase in margin per gallon (approximately $3.7 million). Wholesale gross profit was $5.9 million (after elimination of gross profit attributable to our retail operations) in fiscal 2001 compared to $1.3 million in fiscal 2000, an increase of $4.6 million, or 353%. This increase was attributable to higher wholesale gallon sales in fiscal 2001, including the acquisition of the wholesale operations within the Hoosier Propane Group (approximately $2.3 million), and an increase in gross profit per gallon (approximately $2.3 million).

Operating and Administrative Expenses. Operating and administrative expenses were $23.5 million in fiscal 2001 as compared to $9.0 million in fiscal 2000, an increase of $14.5 million, or 161%. This increase primarily resulted from acquisitions and personnel costs including performance incentives accrued as a result of the increased profitability with the remaining increase primarily attributable to higher vehicle fuel and maintenance costs as a result of the increased retail volumes.

Depreciation and Amortization. Depreciation and amortization increased $4.2 million, or 186%, to $6.5 million in fiscal 2001 from $2.3 million in fiscal 2000. This increase was primarily a result of the Country Gas and the Hoosier Propane Group acquisitions, which included property, plant and equipment and intangible assets of approximately $88.6 million.

Interest Expense. Interest expense increased $4.0 million, or 143%, to $6.7 million in fiscal 2001 from $2.7 million in fiscal 2000. This increase was primarily a result of the higher average outstanding borrowings in fiscal 2001 over fiscal 2000 associated with the debt incurred in the Country Gas and the Hoosier Propane Group acquisitions. In addition, included in interest expense in fiscal 2001 is a charge of $0.5 million associated with the early termination of an interest rate swap agreement that was terminated by Inergy Partners, LLC immediately prior to the Partnership's initial public offering.

Net Income (Loss). Net income increased $6.1 million to $4.3 million in fiscal 2001 from a net loss of $1.8 million in fiscal 2000. This increase in net income was attributable to the increase in gross profit in an amount greater than the increases in operating and administrative expenses and depreciation and amortization partially offset by an increase in interest expense as a result of higher average outstanding borrowings associated with the acquisitions.

EBITDA. EBITDA increased $14.3 million, or 446%, to $17.5 million in fiscal 2001 from $3.2 million in fiscal 2000. The increase in EBITDA was attributable to increased retail and wholesale volumes, largely offset by higher operating and administrative expenses. This increase was attributable to

increased volumes and margin per gallon associated with our retail and wholesale sales partially offset by increased operating and administrative expenses.

Fiscal Year Ended September 30, 2000 Compared to Fiscal Year Ended September 30, 1999

Volume. During fiscal 2000, Inergy Partners, LLC sold 18.1 million retail gallons of propane, an increase of 10.1 million gallons, or 126%, from the 8.0 million retail gallons sold in fiscal 1999. This increase was primarily attributable to the acquisition of six retail propane distributors during fiscal 1999 and two retail propane distributors in fiscal 2000 (8.6 million gallons). The balance of the increase (1.5 million gallons) was attributable to a winter that was slightly colder in fiscal 2000 than in fiscal 1999 as well as internal growth. Fiscal 2000 was 17% warmer than normal in our retail areas of operation.

Wholesale gallon sales increased 121.9 million gallons, or 493%, to 146.6 million gallons in fiscal 2000 from 24.7 million gallons in fiscal 1999. This increase was attributable to the growth of our wholesale sales operations, which were initiated after the fiscal 1999 winter season. Fiscal 2000 was approximately 11% warmer than normal in our wholesale areas of operations.

Revenues. Revenues in fiscal 2000 were $93.6 million, an increase of $74.4 million, or 387%, over $19.2 million of revenues in fiscal 1999. Revenues from retail propane sales increased $12.1 million, or 178%, from $6.8 million in fiscal 1999 to $18.9 million in fiscal 2000. This increase is attributable to our retail acquisitions (approximately $7.8 million), higher selling prices (approximately $3.0 million) and slightly colder weather and internal growth. Other retail revenues increased approximately $1.6 million, or 53%, to $4.6 million in fiscal 2000 from $3.0 million in fiscal 1999. These revenues consist of tank rentals, heating oil sales, appliance sales and service and were attributable to our retail acquisitions in fiscal 1999 and 2000.

Revenues from wholesale propane sales increased $60.7 million, or 650%, from $9.4 million in fiscal 1999 to $70.1 million (after elimination of sales to our retail operations) in fiscal 2000. This increase was a result of our significant increase in wholesale volumes.

Cost of Product Sold. Cost of product sold in fiscal 2000 was $81.6 million, an increase of $67.8 million, or 494%, over fiscal 1999 cost of sales of $13.8 million. The increase was attributable to the significant increases in wholesale and retail volumes and an approximate 29% increase in the average cost of propane.

Gross Profit. Retail gross profit was $10.7 million in fiscal 2000 compared to $4.9 million in fiscal 1999, an increase of $5.8 million, or 120%. This increase was attributable to higher retail gallons and a slight increase in margin per gallon.

Wholesale gross profit was $1.3 million (after elimination of gross profit attributable to our retail operations) in fiscal 2000 compared to $0.5 million in fiscal 1999, an increase of $0.8 million, or 148%. This increase was attributable to higher wholesale gallon sales in fiscal 2000 partially offset by a decrease in gross profit per gallon.

Operating and Administrative Expenses. Operating and administrative expenses were $9.0 million in fiscal 2000 as compared to $4.1 million in fiscal 1999, an increase of $4.9 million, or 118%. This increase primarily resulted from acquisitions.

Depreciation and Amortization. Depreciation and amortization increased $1.6 million, or 231%, to $2.3 million in fiscal 2000 from $0.7 million in fiscal 1999. This increase was attributable to depreciation and amortization of acquired assets, including intangible assets and, to a lesser extent, the amortization of acquisition financing costs.

Net Loss. Net loss increased $1.6 million to $1.8 million in fiscal 2000 from $0.2 million in fiscal 1999. This increase in net loss was primarily attributable to an increase in interest expense of $1.8 million, most of which was incurred in connection with acquisitions.

EBITDA. EBITDA increased $1.7 million, or 110%, to $3.2 million in fiscal 2000 from $1.5 million in fiscal 1999. The increase in EBITDA was attributable to increased retail and wholesale volumes, largely offset by higher operating and administrative expenses.

Liquidity and Sources of Capital

Cash flows provided by (used in) operating activities of $4.6 million in fiscal 2001 consisted primarily of (i) net income of $4.3 million (ii) net non-cash charges of $4.8 million, principally depreciation and amortization offset by liabilities from price risk management activities, and (iii) uses of cash of $4.5 million associated with the changes in operating assets and liabilities. The decrease in cash flows associated with the changes in operating assets and liabilities is primarily due to the timing effects of the acquisition of the Hoosier Propane Group which closed in January 2001. Cash used in operating activities amounted to $0.3 million in fiscal 2000 principally due to the net loss of $1.8 million in fiscal 2000 as a result of the development of management and infrastructure sufficient to accommodate planned future growth offset by depreciation and amortization of $2.3 million as a result of acquisitions. In addition, net increases in operating assets and liabilities, including net liabilities from price risk management activities, required a use of cash in fiscal 2000 of $1.0 million.

Cash used in investing activities of $64.0 million in fiscal 2001 and $12.4 million in fiscal 2000 is primarily comprised of $56.3 for the acquisition of the Hoosier Propane Group and Bear Man Propane and $3.1 million of costs incurred in the financing of that acquisition in the fiscal 2001 period while the acquisition of Country Gas represented the majority of the $9.6 million used in fiscal 2000. In addition, purchases of property plant and equipment amounted to $4.8 million in fiscal 2001 and $2.3 million in fiscal 2000.

Cash provided by financing activities of $60.2 million in fiscal 2001 and $13.9 million in fiscal 2000 consisted of net borrowings of $14.2 million and $12.6 million, respectively, under debt agreements, including borrowings and repayments in conjunction with the January 2001 and July 2001 refinancings of our credit facilities and borrowings and repayments of our revolving working capital facility. In addition, the net proceeds were received from the Initial Public Offering of $34.3 million in fiscal 2001 and proceeds from the issuance of redeemable preferred stock amounted to $16.1 million in fiscal 2001 and $1.9 million in fiscal 2000 . Offsetting these sources of cash were $2.6 million and $0.5 million of preferred stock distributions paid to holders of Inergy Partners Class A Preferred Stock in fiscal 2001 and fiscal 2000, respectively, and $1.8 million of cash retained by Inergy Partners at the time of the conveyance of assets in conjunction with the initial public offering in fiscal 2001.

At September 30, 2001, we had goodwill of $32.1 million, representing approximately 21% of total assets. This goodwill is primarily attributable to our acquisition of the Hoosier Propane Group and Country Gas. We expect recovery of the goodwill through future cash flows associated with these acquisitions.

Our primary short-term liquidity needs are to fund general working capital requirements while our long-term liquidity needs are primarily associated with capital expenditures for the growth and maintenance of our existing businesses together with funding for strategic business acquisitions. Growth capital expenditures are primarily for the purchase of customer storage tanks while maintenance capital expenditures are primarily related to repair and replacement of propane delivery vehicles and maintenance associated with existing customer installations. At September 30, 2001, we had outstanding commitments for capital expenditures of approximately $0.3 million. Our primary sources of funds for our short-term liquidity needs will be cash flows from operations and borrowings under a short-term working capital facility while our long-term sources of funds will be from long-term bank borrowings and equity or debt financings.

We believe that anticipated cash from operations and borrowings under our amended and restated credit facility described below will be sufficient to meet our liquidity needs for the foreseeable future. If our plans or assumptions change or are inaccurate, or we make any acquisitions, we may need to raise additional capital. We may not be able to raise additional funds or may not be able to raise such funds on favorable terms.

Description of Credit Facility

In conjunction with the acquisition of Independent Propane Company, on December 19, 2001, our operating company, Inergy Propane, LLC, entered into a $195 million amended and restated senior secured credit facility with First Union National Bank and other lenders. The revolving portion of the credit facility has a term of three years and is guaranteed by us and each subsidiary of Inergy Propane. The IPC Acquisition term loan portion of the credit facility has a term of one year and is also guaranteed by us and each subsidiary of Inergy Propane. We currently have $144 million outstanding under the credit facility, comprised of $62 million outstanding under the revolving acquisition facility, $12 million under the working capital facility and $70 million under the IPC Acquisition term loan. The following is a summary of the material terms of the credit facility.

The credit facility consists of a working capital facility in the aggregate principal amount of up to $50 million, a revolving acquisition facility in the aggregate principal amount of up to $75 million and an IPC Acquisition term loan in the amount of $70 million. The aggregate amount of borrowings under the working capital facility, including outstanding letters of credit, are subject to a borrowing base requirement relating to accounts receivable and inventory. During the period from July 1 through December 31, Inergy Propane may borrow up to an additional $12 million not subject to the borrowing base, however, total borrowings under the working capital facility cannot exceed $50 million. Up to $10 million of the working capital facility may be used for the issuance of letters of credit. Each of the working capital facility, the revolving acquisition facility and the IPC Acquisition Facility may be prepaid and the commitments may be reduced at any time without penalty. Amounts borrowed and repaid under either the working capital facility or the revolving acquisition facility may be reborrowed. Any amounts repaid under the IPC Acquisition Facility, however, cannot be reborrowed and must be repaid by December 20, 2002.

During each fiscal year beginning October 1, 2001, the outstanding balance of the working capital facility must be reduced to $4 million or less for a minimum of 30 consecutive days during the period commencing March 1 and ending September 30 of each calendar year.

The obligations under the credit facility will be secured by first priority liens on all assets of Inergy Propane and its subsidiaries, the pledge of all of Inergy Propane's equity interests in its subsidiaries and by a pledge of our membership interest in Inergy Propane. The credit facility permits Inergy Propane to generally secure up to $100 million in privately placed indebtedness with the same collateral on a pari passu basis. Any such indebtedness may not be secured by any other collateral, must be incurred within the next 12 months and may not require or permit any principal payments to be made prior to the maturity of the credit facility. Inergy Propane is required to use 100% of the net cash proceeds of any such indebtedness to reduce borrowings under the credit facility.

Indebtedness under the credit facility will bear interest at the option of Inergy Propane at either a base rate or LIBOR (preadjusted for reserves), plus in each case, an applicable margin. The applicable margin varies quarterly based on Inergy Propane's leverage ratio. The applicable margin will increase by 50 basis points on the 6 month anniversary of the credit agreement and again on the 9 month anniversary of the credit agreement if the advances outstanding under the IPC Acquisition Facility exceed $25 million on each of such dates. Inergy Propane will incur a fee based on the average daily unused commitments under the credit facility.

Inergy Propane is required to use 100% of the net cash proceeds (that are not applied to purchase replacement assets) from asset dispositions (other than the sale of inventory and motor vehicles in the ordinary course of business) to reduce borrowings under the credit facility during any fiscal year in which unapplied net cash proceeds are in excess of $1 million. Any such mandatory prepayments are applied first to reduce borrowings under the acquisition facility and then under the working capital facility.

In addition, the credit facility contains various covenants limiting the ability of Inergy Propane and its subsidiaries to, among other things:

- incur other indebtedness (other than permitted debt, including $100 million of privately placed debt secured on a pari passu basis);
- grant or incur liens;
- pay dividends or make distributions if a default or event of default has occurred and is continuing;
- permit operating lease obligations to exceed $5,000,000;
- enter into any debt which contains covenants more restrictive than those of the credit facility;
- make investments, loans and acquisitions;
- enter into a merger, consolidation or sale of assets;
- engage in any sale and leaseback transaction or another type of business or create any subsidiary;
- engage in transactions with affiliates;
- in the case of subsidiaries, to issue any capital stock;
- modify in any material respects the rights of holders of capital stock; and
- modify material contracts.

In addition, Inergy, L.P. is prohibited from incurring indebtedness except its guarantee of the credit facility.

Furthermore, the credit facility contains the following financial covenants:

- the ratio of consolidated EBITDA (as defined in the credit facility) to consolidated interest expense (as defined in the credit facility) must be at least 2.25 to 1.0 during the four quarters ending December 31, 2001 and 2.5 to 1.0 for each consecutive four quarter period thereafter.
- the ratio of total funded debt (as defined in the credit facility) to consolidated EBITDA may not exceed 4.5 to 1.

Each of the following is an event of default under the credit facility:

- nonpayment of principal, interest, fees or other amounts;
- violation of covenants;
- inaccuracy of representations and warranties;
- a default under other loan documents for the credit facility;
- a default under other material agreements and indebtedness of Inergy Propane, its subsidiaries or Inergy, L.P.;
- bankruptcy and other insolvency events of Inergy Propane, its subsidiaries or Inergy, L.P.;
- judgments exceeding $500,000 against Inergy Propane, its subsidiaries or Inergy, L.P. are undischarged or unstayed for 30 days;
- the actual or asserted invalidity of any loan documentation or security interest;
- a change of control of Inergy, L.P.;
- Inergy, L.P. ceases to own 100% of Inergy Propane;
- a condition or event occurs that could have a material adverse effect in the reasonable judgment of 2/3 of the lenders.

Environmental Matters

Environmental liabilities have not materially impacted our financial condition, results of operations or liquidity since our inception. In June 2001, one of our transportation vehicles was involved in a release of ammonia. Following this release, we promptly notified the appropriate regulatory authorities and cooperated with such authorities in clean-up and remediation efforts. All of the costs associated with these clean-up and remediation efforts were covered by insurance. In July 2001, the Ohio Department of Agriculture filed an enforcement action alleging violations of the Director of Agriculture Rules. We believe the maximum fines associated with the Department of Agriculture's enforcement action are less than $5,000. We have not received notice of any other action which might be taken or any penalty or fees which might be assessed by other regulatory authorities relating to this spill. In the event that any additional fines or penalties are assessed against us in connection with this spill, we do not believe that such fines or penalties will have a material adverse effect on our financial condition, results of operations or liquidity.

Recent Accounting Pronouncements

In 1998, the Financial Accounting Standards Board (FASB) issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 establishes accounting and reporting standards requiring that every derivative instrument be recorded on the balance sheet as either an asset or liability measured at its fair value. The statement requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met.

Adoption of SFAS No. 133 is required for fiscal years beginning after June 15, 2000. We have adopted SFAS No. 133 during the first quarter of fiscal 2001. We believe that the effect of adopting SFAS 133 is limited to disclosures in its financial statements since we currently utilize the mark-to-

market method of accounting. In July 2001, the FASB issued SFAS No. 141, "Business Combinations" and SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 prohibits the use of the pooling of interests method of accounting for future business combinations. Under SFAS No. 142, goodwill will no longer be amortized, but will be subject to reviews for impairment on a periodic basis. We haveadopted SFAS No. 142 effective October 1, 2001.

In August 2001, the FASB issued Statement No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. This statement retains the fundamental provisions of Statement No. 121 for recognition and measurement of the impairment of long-lived assets to be held and used, and measurement of long-lived assets to be disposed of by sale. This statement is effective for financial statements issued for fiscal years beginning after December 15, 2001 and interim periods within those fiscal years, with early application encouraged. Management has not determined the method, timing, or impact of adopting Statement No. 144.

Forward-Looking Statements

This report, including information included or incorporated by reference in this report, contains forward-looking statements concerning the financial condition, results of operations, plans, objectives, future performance and business of our Company and its subsidiaries. These forward-looking statements include:

- statements that are not historical in nature, and
- statements preceded by, followed by or that contain forward-looking terminology including the words "believes," "expects," "may," "will," "should," "could," "anticipates," "estimates," "intends" or similar expressions.

Forward-looking statements are not guarantees of future performance or results. They involve risks, uncertainties and assumptions. Actual results may differ materially from those contemplated by the forward-looking statements due to, among others, the following factors:

- weather conditions;
- price and availability of propane, and the capacity to transport to market areas;
- costs or difficulties related to the integration of the business of our Company and its acquisition targets may be greater than expected;
- governmental legislation and regulations;
- local economic conditions;
- labor relations;
- environmental claims;
- competition from the same and alternative energy sources;
- operating hazards and other risks incidental to transporting, storing, and distributing propane;
- energy efficiency and technology trends;
- interest rates; and
- large customer defaults.

We have described under " Factors That May Affect Future Results of Operations, Financial Condition or Business" additional factors that could cause actual results to be materially different from those described in the forward-looking statements. Other factors that we have not identified in this report could also have

this effect. You are cautioned not to put undue reliance on any forward-looking statement, which speak only as of the date they were made.

Factors That May Affect Future Results of Operations, Financial Condition or Business

- We may not be able to generate sufficient cash from operations to allow us to pay the minimum quarterly distribution.
- Since weather conditions may adversely affect the demand for propane, our financial condition and results of operations are vulnerable to, and will be adversely affected by, warm winters.
- Sudden and sharp propane price increases that cannot be passed on to customers may adversely affect our profit margins.
- If we are not able to purchase propane from our principal supplier, our results of operations would be adversely affected.
- Our business would be adversely affected if service at our principal storage facilities or on the common carrier pipelines we use is interrupted.
- If we do not make acquisitions on economically acceptable terms, our future financial performance will be limited.
- Our indebtedness may limit our ability to borrow additional funds, make distributions to unitholders or capitalize on acquisition or other business opportunities.
- The highly competitive nature of the retail propane business could cause us to lose customers, thereby reducing our revenues.
- Competition from alternative energy sources may cause us to lose customers, thereby reducing our revenues.
- We are subject to operating and litigation risks that could adversely affect our operating results to the extent not covered by insurance.
- Our results of operations and financial condition may be adversely affected by governmental regulation and associated environmental and regulatory costs.
- Energy efficiency and new technology may reduce the demand for propane.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Interest Rate Risk

We have long-term debt and a revolving line of credit subject to the risk of loss associated with movements in interest rates.

At September 30, 2001, we had floating rate obligations totaling approximately $53.0 million for amounts borrowed under our revolving line of credit and long-term debt which expose us to the risk of increased interest expense in the event of increases in short-term interest rates. If the floating interest rate were to increase by 100 basis points from September 30, 2001 levels, our combined interest expense would increase by a total of approximately $44,000 per month.

Market and Credit Risk

Inherent in the resulting contractual portfolio are certain business risks, including market risk and credit risk. Market risk is the risk that the value of the portfolio will change, either favorably or unfavorably, in response to changing market conditions. Credit risk is the risk of loss from nonperformance by suppliers, customers or financial counterparties to a contract. We take an active role in managing and controlling market and credit risk and has established control procedures, which are reviewed on an ongoing basis. We monitor market risk through a variety of techniques, including daily reporting of the portfolio's value to senior management. We attempt to minimize credit risk exposure through credit policies and periodic monitoring procedures. The counterparties associated with assets from price risk management activities as of September 30, 2000 and 2001 were energy marketers.

The propane industry is a "margin-based" business in which gross profits depend on the excess of sales prices over supply costs. As a result, our profitability will be sensitive to changes in wholesale prices of propane caused by changes in supply or other market conditions. When there are sudden and sharp increases in the wholesale cost of propane, we may not be able to pass on these increases to our customers through retail or wholesale prices. Propane is a commodity and the price we pay for it can fluctuate significantly in response to supply or other market conditions. We have no control over supply or market conditions. In addition, the timing of cost pass-throughs can significantly affect margins. Sudden and extended wholesale price increases could reduce our gross profits and could, if continued over an extended period of time, reduce demand by encouraging our retail customers to conserve or convert to alternative energy sources.

We engage in hedging transactions to reduce the effect of price volatility on our product costs and to help ensure the availability of propane during periods of short supply. We attempt to balance our contractual portfolio by purchasing volumes only when we have a matching purchase commitment from our wholesale customers. However, we may experience net unbalanced positions from time to time which we believe to be immaterial in amount. In addition to our ongoing policy to maintain a balanced position, for accounting purposes we are

required, on an ongoing basis, to track and report the market value of our purchase obligations and our sales commitments.

Trading Activities

Through our wholesale operations, we offer price risk management services to energy related businesses through a variety of financial and other instruments, including forward contracts involving physical delivery of propane. In addition, we manage our own trading portfolio using forward, physical

and futures contracts. We attempt to balance our contractual portfolio in terms of notional amounts and timing of performance and delivery obligations. However, net unbalanced positions can exist or are established based on assessment of anticipated short-term needs or market conditions.

The price risk management services are offered to propane retailers and other related businesses through a variety of financial and other instruments including forward contracts involving physical delivery of propane, swap agreements, which require payments to (or receipt of payments from) counterparties based on the differential between a fixed and variable price for propane, options and other contractual arrangements.

We have recorded our trading activities at fair value in accordance with Emerging Issues Task Force Issue EITF No. 98-10, "Accounting for Contracts Involved in Energy Trading and Risk Management Activities." EITF No. 98-10 requires energy trading contracts to be recorded at fair value on the balance sheet, with the changes in fair value included in earnings.

Notional Amounts and Terms

The notional amounts and terms of these financial instruments at September 30, 2000 and 2001 include fixed price payor for 1.5 million and 2.5 million barrels, respectively and fixed price receiver for 1.5 million and 2.9 million barrels, respectively. Notional amounts reflect the volume of the transactions, but do not represent the amounts exchanged by the parties to the financial instruments. Accordingly, notional amounts do not accurately measure our exposure to market or credit risks.

Fair Value

The fair value of the financial instruments related to price risk management activities as of September 30, 2000 and 2001 was assets of $3.6 million and $8.3 million, respectively and liabilities of $2.3 million and $4.6 million, respectively related to propane. All intercompany transactions have been appropriately eliminated.

The net change in unrealized gains and losses related to trading and price risk management activities for the years ended September 30, 1999, 2000, and 2001 of ($0.2) million, $1.5 million, and $2.2 million, respectively, are included in cost of product sold in the accompanying consolidated statements of operations.

Item 8. Financial Statements and Supplementary Data.

Reference is made to the financial statements and report of independent auditors included later in this report under Item 14.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

PART III

Item 10. Directors and Executive Officers of the Registrant.

Our Managing General Partner Manages Inergy, L.P.

Inergy GP, LLC, our managing general partner, manages our operations and activities. Our managing general partner is not elected by our unitholders and will not be subject to re-election on a regular basis in the future. Our managing general partner may not be removed unless that removal is approved by the vote of the holders of not less than 66 2/3% of the outstanding units, including units held by the general partners and their affiliates, and we receive an opinion of counsel regarding limited liability and tax matters. Any removal of the managing general partner is also subject to the approval of a successor managing general partner by the vote of the holders of a majority of the outstanding common units and subordinated units, voting as separate classes. A subsidiary of our non-managing general partner owns more than 33 1/3% of our outstanding units, thereby giving our managing general partner the practical ability to prevent the removal of our managing general partner. Unitholders do not directly or indirectly participate in our management or operation. Our managing general partner owes a fiduciary duty to the unitholders. Our managing general partner is liable, as a general partner, for all of our debts (to the extent not paid from our assets), except for specific non recourse indebtedness or other obligations. Whenever possible, our managing general partner intends to incur indebtedness or other obligations that are non-recourse.

Our managing general partner intends to appoint two or more of its directors to serve on a conflicts committee to review specific matters which the board of directors believes may involve conflicts of interest. The conflicts committee will determine if the resolution of the conflict of interest is fair and reasonable to us. The members of the conflicts committee must meet the independence standards to serve on an audit committee of a board of directors established by the Nasdaq Stock Market and certain other requirements. Any matters approved by the conflicts committee will be conclusively deemed to be fair and reasonable to us, approved by all of our partners, and not a breach by our managing general partner of any duties it may owe us or our unitholders. Two members of the board of directors also serve on a compensation committee, which oversees compensation decisions for the officers of Inergy GP, LLC as well as the compensation plans described below. In addition, three members of the board of directors serve on an audit committee which reviews our external financial reporting, recommends engagement of our independent auditors and reviews procedures for internal auditing and the adequacy of our internal accounting controls. The members of the audit committee must meet the independence standards established by the Nasdaq Stock Market. The initial members of the audit committee are Warren H. Gfeller, Richard C. Green, Jr. and David J. Schulte. As is commonly the case with publicly-traded limited partnerships, we are managed and operated by the officers and are subject to the oversight of the directors of our managing general partner. All of our personnel are employees of our managing general partner or its affiliates.

The board of directors of our managing general partner is presently composed of five directors.

Directors and Executive Officers

The following table sets forth certain information with respect to the executive officers and members of the board of directors of our managing general partner. Executive officers and directors will serve until their successors are duly appointed or elected. We have also set forth in the table below information with respect to certain of our key employees who are officers of our managing general partner or one of its affiliates.

Name	Age	Position with the Managing General Partner
John J. Sherman	46	President, Chief Executive Officer and Director
Phillip L. Elbert	42	Executive Vice President--Operations and Director
R. Brooks Sherman Jr.	36	Vice President and Chief Financial Officer

Carl A. Hughes	47	Vice President--Business Development
Michael D. Fox	43	Vice President--Wholesale Marketing
William C. Gautreaux	37	Vice President--Supply
Richard C. Green, Jr.	46	Director
Warren H. Gfeller	49	Director
David J. Schulte	40	Director

John J. Sherman. Mr. Sherman has been the President, Chief Executive Officer and a director of our managing general partner since March, 2001, and of our predecessor from 1997 until July, 2001. Prior to joining our predecessor, he was a vice president with Dynegy, Inc. from 1996 through 1997. He was responsible for all downstream propane marketing operations, which at the time were the country's largest. From 1991 through 1996, Mr. Sherman was the president of LPG Services Group, Inc., a company he co-founded and grew to become one of the nation's largest wholesale marketers of propane before Dynegy acquired LPG Services in 1996. From 1984 through 1991, Mr. Sherman was a vice president and member of the management committee of Ferrellgas, which is one of the country's largest retail propane marketers.

Phillip L. Elbert. Mr. Elbert has served as the Executive Vice President--Operations of our managing general partner since March, 2001. He joined our predecessor as Executive Vice President--Operations in connection with our acquisition of the Hoosier Propane Group in January 2001. Mr. Elbert joined the Hoosier Propane Group in 1992 and was responsible for overall operations, including Hoosier's retail, wholesale, and transportation divisions. From 1987 through 1992, he was employed by Ferrellgas, serving in a number of management positions relating to retail, transportation and supply. Prior to joining Ferrellgas, he was employed by Buckeye Gas Products, a large propane marketer, from 1981 to 1987.

R. Brooks Sherman Jr. Mr. Brooks Sherman (no relation to Mr. John Sherman) has served as the Vice President and Chief Financial Officer of our managing general partner since March, 2001. He joined our predecessor in December 2000 as Vice President and Chief Financial Officer. From 1999 until joining our predecessor, he served as chief financial officer of MCM Capital Group. From 1996 through 1999, Mr. Sherman was employed by National Propane Partners, a publicly traded master limited partnership, first as its controller and chief accounting officer and subsequently as its chief financial officer. From 1995 to 1996, Mr. Sherman served as chief financial officer for Berthel Fisher & Co. Leasing Inc. and prior to 1995, Mr. Sherman was in public accounting with Ernst & Young and KPMG Peat Marwick.

Carl A. Hughes. Mr. Hughes has served as the Vice President of Business Development of our managing general partner since March, 2001. He joined our predecessor as Vice President of Business Development in 1998. From 1996 through 1998, he served as a regional manager for Dynegy, Inc., responsible for propane activities in 17 midwest and northeastern states. From 1993 through 1996, Mr. Hughes served as a regional marketing manager for LPG Services Group. From 1985 through 1992, Mr. Hughes was employed by Ferrellgas where he served in a variety of management positions.

Michael D. Fox. Mr. Fox has served as the Vice President of Wholesale Marketing Operations of our managing general partner since March, 2001. He joined our predecessor in 1998 as Vice President of Wholesale Marketing Operations. From 1996 through 1998, he served as a regional manager with Dynegy, Inc., responsible for wholesale propane marketing activities in nine southeastern states. From 1992 through 1996, he served as regional marketing manager for LPG Services Group, Inc. From 1985

through 1991, Mr. Fox was employed by Ferrellgas where he served in a variety of sales and marketing positions.

William C. Gautreaux. Mr. Gautreaux has served as the Vice President of Supply of our managing general partner since March, 2001. He joined our predecessor in 1998 as Vice President of Supply. From 1996 through 1998, he served as a managing director for Dynegy, Inc., responsible for bulk natural gas liquids marketing and risk management. Mr. Gautreaux was a co-founder of LPG Services Group, Inc. and served as its vice president of supply from 1991 through 1996. From 1985 through 1991, Mr. Gautreaux was employed by Ferrellgas where he served as a regional manager in the company's wholesale supply logistics division.

Richard C. Green, Jr. Mr. Green has been a member of our managing general partner's board of directors since March, 2001. He was a member of our predecessor's board of directors from January 2001 until July, 2001. He currently serves as chairman and chief executive officer of UtiliCorp United, Inc., a Fortune 100 global energy services company. Mr. Green is currently a special limited partner of Kansas City Equity Partners and has previously served as its president and chairman of its advisory board. He also serves as a director of Aquila, Inc., BHA Group, Inc. and Yellow Corp.

Warren H. Gfeller. Mr. Gfeller has been a member of our managing general partner's board of directors since March, 2001. He was a member of our predecessor's board of directors from January 2001 until July, 2001. He has engaged in private investments since 1991. From 1985 to 1991, Mr. Gfeller served as president and chief executive officer of Ferrellgas, Inc., a retail and wholesale marketer of propane and other natural gas liquids. Mr. Gfeller began his career with Ferrellgas in 1983 as an executive vice president and financial officer. He also serves as a director of Zapata Corporation.

David J. Schulte. Mr. Schulte has been a member of our managing general partner's board of directors since March, 2001. He was a member of our predecessor's board of directors from January 2001 until July, 2001. He has been a managing director of private equity firm Kansas City Equity Partners since 1994, focusing on industries undergoing consolidation. Prior to joining Kansas City Equity Partners, Mr. Schulte was an investment banker with Fahnestock & Co. from 1988 to 1994. He is a member of the AICPA and the Missouri Bar Association. He also serves as a director of Elecsys Corp.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires our Company's directors and executive officers, and persons who own more than 10% of any class of equity securities of our Company registered under Section 12 of the Exchange Act, to file with the Securities and Exchange Commission initial reports of ownership and reports of changes in ownership in such securities and other equity securities of our Company. Securities and Exchange Commission regulations require directors, executive officers and greater than 10% unitholders to furnish our Company with copies of all Section 16(a) reports they file.

To our Company's knowledge, based solely on review of the copies of such reports furnished to our Company and written representations that no other reports were required, during the fiscal year ended September 30, 2001, all Section 16(a) filing requirements applicable to our directors, executive officers and greater than 10% unitholders were complied with

Item 11. Executive Compensation.

Executive Compensation

The following table sets forth for the periods indicated, the compensation paid or accrued by our Company, its predecessor and our managing general partner to the chief executive officer of our managing general partner and the four other executive officers whose remuneration for the fiscal year

ended September 30, 2001 was in excess of $100,000 for services to our Company and its subsidiaries in all capacities:

Summary Compensation Table

Name and Principal Position	Fiscal Year	Annual Compensation			Long Term Compensation Awards	All Other Compensation (3)
		Salary(1)	Bonus	Other Annual Compensation (2)	Securities Underlying Options	
John. J. Sherman President and Chief Executive Officer	2001	$ 175,000	$200,000	$ 5,161	-	$ -
	2000	$ 150,000	$ -	$ 6,614	-	$ -
	1999	$ 150,000	$ -	$ 590	-	$ -
Phillip L. Elbert Executive Vice President Operations	2001	$ 115,160	$112,500	$ 7,464	55,500	$ -
	2000	$ -	$ -	$ -	-	$ -
	1999	$ -	$ -	$ -	-	$ -
R. Brooks Sherman, Jr. Vice President and Chief Financial Officer	2001	$ 98,958	$158,333	$ 730	27,750	$ 63,275
	2000	$ -	$ -	$ -	-	$ -
	1999	$ -	$ -	$ -	-	$ -
Carl A. Hughes Vice President-Business Development	2001	$ 97,917	$228,320	$ 9,212	38,850	$ -
	2000	$ 75,000	$111,159	$ 9,864	-	$ -
	1999	$ 75,000	$ -	$ 590	-	$ -
William C. Gautreaux Vice President-Supply	2001	$ 108,542	$244,000	$ 9,093	27,750	$ -
	2000	$ 80,000	$ 76,411	$ 7,425	-	$ -
	1999	$ 42,000	$ -	$ -	-	$ -
Michael D. Fox Vice President-	2001	$ 97,917	$130,000	$ 7,719	27,750	$ -

Wholesale Marketing Operations	2000	$ 75,000	$ 37,847	$ 8,437	$ -	$ -
	1999	$ 53,125	$ 24,011	$ -	$ -	$ -

(1) Salaries for Mr. Phil Elbert and Mr. Brooks Sherman in fiscal 2001 represent the pro rata portion of their annual salaries from the dates of the beginning of their employment with Inergy on January 12, 2001 and December 3, 2000, respectively.

(2) Excludes perquisites and other benefits, unless the aggregate amount of such compensation is equal to the lesser of either $50,000 or 10% of the total of annual salary and bonus reported for the named executive officer.

(3) All Other Compensation for Mr. Brooks Sherman in fiscal 2001 represents reimbursement of relocation expenses.

The following table sets forth information concerning grants of unit options to each named executive officer during fiscal 2001.

	Option Grants in Last Fiscal Year Individual Grants						
					Potential Realizable Value at Assumed Annual Rates of Unit Price Appreciation for Option Term (2)		
Name	Number of Securities Underlying Options Granted(3)	Percent of Total Options Granted to Employees in Fiscal Year	Exercise or Base Price ($/Share)(1)	Expiration Date	0%	5%	10%
John J. Sherman	-	-	-	-	-	-	-
Phillip L. Elbert	55,500	18%	$22.00	July 31, 2011	-	$767,880	$1,945,960
R. Brooks Sherman, Jr.	27,750	9%	$22.00	July 31, 2011	-	$383,940	$ 972,980
Carl. A. Hughes	38,850	13%	$22.00	July 31, 2011	-	$537,516	$1,362,172
William C. Gautreaux	27,750	9%	$22.00	July 31, 2011	-	$383,940	$ 972,980
Michael D. Fox	27,750	9%	$22.00	July 31, 2011	-	$383,940	$ 972,980

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(1) All grants were made at 100% of the fair market value as of the grant date.

(2) The dollar amounts under these columns are the result of calculations at the 5% and 10% assumed annual growth rates mandated by the Securities and Exchange Commission and, therefore, are not intended to forecast possible future appreciation, if any, in the unit price. The calculations were based on the exercise prices and the 10-year term of the options. No gain to the optionees is possible without an increase in unit price which will benefit all shareholders proportionately.

(3) These options generally vest in proportion to the conversion of senior subordinated units into common units.

The following table sets forth information with respect to each named executive officer concerning the exercise of options during fiscal 2001 and unexercised options held as of September 30, 2001.

Aggregated Option/SAR Exercises in last Fiscal Year and September 30, 2001 Option Values

Name	Units Acquired on Exercise	Value Realized	Number of Securities Underlying Unexercised Options at September 30, 2001		Value of Unexercised In-the-Money Options at September 30, 2001(1)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
John J. Sherman	--	--	-	-	-	-
Phillip L. Elbert	--	--	-	55,500	-	$219,225
R. Brooks Sherman, Jr.	--	--	-	27,750	-	$109,613
Carl A. Hughes	--	--	-	38,850	-	$153,458
William C. Gautreaux	--	--	-	27,750	-	$109,613
Michael D. Fox	--	--	-	27,750	-	$109,613

(1) Based on the $25.95 per unit fair market value of our Company's common units on September 28, 2001, the last trading day of fiscal 2001, less the option exercise price.

Employment Agreements

We have entered into employment agreements with the following individuals:

- John J. Sherman, President and Chief Executive Officer;
- Phillip L. Elbert, Executive Vice President--Retail Operations;
- R. Brooks Sherman, Jr., Vice President--Chief Financial Officer;
- Carl A. Hughes, Vice President--Business Development;
- Michael D. Fox, Vice President--Wholesale Marketing; and
- William C. Gautreaux, Vice President--Supply Logistics and Risk Management.

The following summary of these employment agreements does not purport to be complete and is qualified in its entirety by reference to the employment agreements, as amended, which are incorporated by reference herein as exhibits to this report.

The employment agreements of Mr. John Sherman, Mr. Elbert, Mr. Brooks Sherman, Mr. Hughes, Mr. Fox and Mr. Gautreaux are substantially similar, with certain exceptions as set forth below. Except for Mr. Brooks Sherman, whose employment agreement is for a term of three years, the employment agreements are for terms of five years. The annual salaries for these individuals are as follows:

- John J. Sherman..... $250,000
- Phillip L. Elbert..... $200,000
- R. Brooks Sherman Jr..... $125,000
- Carl A. Hughes..... $125,000

. Michael D. Fox..... $125,000

. William C. Gautreaux..... $125,000

These employees are reimbursed for all expenses in accordance with our policies. They also are eligible for fringe benefits normally provided to other members of our executive management and any other benefits agreed to by us. Each of these employees will be eligible to participate in the Inergy Long Term Incentive Plan.

Each of these individuals (other than Mr. John Sherman) will be entitled to performance bonuses ranging from $18,750 to $200,000 upon our attaining certain levels of distributable cash flow on an annual basis for each year during the term of his employment.

The employment agreements provide for additional bonuses conditioned upon the conversion of subordinated units into common units. Messrs. Fox, Gautreaux and Hughes will be entitled to bonuses in the amounts of $300,000, $300,000 and $400,000, respectively, at the end of the subordination period for the junior subordinated units. Messrs. Brooks Sherman and Elbert will be entitled to bonuses in the amounts of $200,000 and $500,000, respectively, payable upon, and in the same proportion as the conversion of senior and junior subordinated units into common units. Finally, Mr. John Sherman may receive performance bonuses at the discretion of the board of directors and will be entitled to a bonus in the amount of $625,000 at the end of the subordination period for the junior subordinated units.

In order for any of these individuals to receive any benefits under (i) the Inergy Long Term Incentive Plan, (ii) the performance bonus based on target distributable cash flow, or (iii) the bonus tied to the expiration of the subordination period for the junior subordinated units, the individual must have been continuously employed by Inergy Holdings or one of our affiliates from the date of his employment agreement up to the date for determining eligibility to receive such amounts.

Each employment agreement contains confidentiality and noncompetition provisions. Also, each of the employment agreements contains a disclosure and assignment of inventions clause that requires the employee to disclose the existence of any invention and assign such employee's right in such invention to us.

With respect to Mr. John Sherman, Mr. Elbert, Mr. Brooks Sherman, Mr. Hughes, Mr. Fox and Mr. Gautreaux, in the event that Inergy Holdings terminates such person's employment without cause, Inergy Holdings will be required to continue making payments to such person for the remainder of the term of such person's employment agreement.

In addition to his employment agreement, Mr. Elbert has entered into an option contract with Inergy Holdings whereby Inergy Holdings has granted Mr. Elbert the right and option to invest in Inergy Holdings an aggregate of $2,292,000, subject to adjustment, for a percentage interest in Inergy Holdings equal to 7.1%, subject to adjustment.

Pursuant to the partnership agreement, we will reimburse Inergy Holdings for all expenses of the employment of these individuals related to our activities.

Long-Term Incentive Plan

An affiliate of our managing general partner has adopted the Inergy Long-Term Incentive Plan for employees, consultants and directors of the managing general partner and employees and consultants of its affiliates who perform services for us. The summary of the long-term incentive plan contained herein does not purport to be complete but outlines its material provisions. The long-term incentive plan currently permits the grant of awards covering an aggregate of 589,000 common units which can be

granted in the form of unit options and/or restricted units; however not more than 192,000 restricted units may be granted under the plan. With the exception of approximately 28,000 unit options granted under the plan to non-executive officers in exchange for option grants in our predecessor, all unit options and restricted units granted under the plan will vest no sooner than, and in the same proportion as, senior subordinated units convert into common units. The plan is administered by the compensation committee of the managing general partner's board of directors.

Restricted Units. A restricted unit is a "phantom" unit that entitles the grantee to receive a common unit upon the vesting of the phantom unit, or in the discretion of the compensation committee, cash equivalent to the value of a common unit. The compensation committee may make grants under the plan to employees and directors containing such terms as the compensation committee shall determine under the plan. In general, restricted units granted to employees will vest three years from the date of grant; provided, however, that restricted units will not vest before the conversion of any senior subordinated units and will only vest upon, and in the same proportion as, the conversion of senior subordinated units into common units. In addition, the restricted units will vest upon a change of control of the managing general partner or us.

If a grantee's employment or membership on the board of directors terminates for any reason, the grantee's restricted units will be automatically forfeited unless, and to the extent, the compensation committee provides otherwise. Common units to be delivered upon the vesting of rights may be common units acquired by the managing general partner in the open market, common units already owned by the managing general partner, common units acquired by the managing general partner directly from us or any other person or any combination of the foregoing. The managing general partner will be entitled to reimbursement by us for the cost incurred in acquiring common units. If we issue new common units upon vesting of the restricted units, the total number of common units outstanding will increase. Following the subordination period, the compensation committee, in its discretion, may grant tandem distribution equivalent rights with respect to restricted units. Distribution equivalent rights entitle the holder to receive distributions as if the holder owned the restricted unit.

We intend the issuance of the common units pursuant to the restricted unit plan to serve as a means of incentive compensation for performance and not primarily as an opportunity to participate in the equity appreciation of the common units. Therefore, plan participants will not pay any consideration for the common units they receive, and we will receive no remuneration for the units.

Unit Options. The long-term incentive plan currently permits the grant of options covering common units. The compensation committee may, in the future, determine to make grants under the plan to employees and directors containing such terms as the committee shall determine. Unit options will generally have an exercise price equal to the fair market value of the units on the date of grant. In general, unit options granted will become exercisable over a period determined by the compensation committee; provided, however, that unit options will not vest before the conversion of any senior subordinated units and will only vest upon, and in the same proportion as, the conversion of senior subordinated units into common units. In addition, the unit options will become exercisable upon a change of control of the managing general partner or us. Generally, unit options will expire after 10 years.

At the July 2001 closing of our initial public offering, Mr. Elbert received options under such plan for 55,500 common units, Mr. Hughes received options under such plan for 38,850 common units and each of Mr. Brooks Sherman, Mr. Fox and Mr. Gautreaux received options under such plan for 27,750 common units, respectively, at an exercise price equal to the $22.00 per unit initial public offering price, which options are subject to forfeiture in certain cases if such employee retires or is terminated for cause prior to the expiration of five years from the date of grant.

Upon exercise of a unit option, the managing general partner will acquire common units in the open market, or directly from us or any other person, or use common units already owned by the

managing general partner, or any combination of the foregoing. The managing general partner will be entitled to reimbursement by us for the difference between the cost incurred by the managing general partner in acquiring these common units and the proceeds received by the managing general partner from an optionee at the time of exercise. Thus, the cost of the unit options will be borne by us. If we issue new common units upon exercise of the unit options, the total number of common units outstanding will increase, and the managing general partner will pay us the proceeds it received from the optionee upon exercise of the unit options. The unit option plan has been designed to furnish additional compensation to employees and directors and to align their economic interests with those of common unitholders.

Termination and Amendment. The managing general partner's board of directors in its discretion may terminate the long-term incentive plan at any time with respect to any common units for which a grant has not yet been made. The managing general partner's board of directors also has the right to alter or amend the long-term incentive plan or any part of the plan from time to time, including increasing the number of common units with respect to which awards may be granted subject to unitholder approval as required by the exchange upon which the common units are listed at that time. However, no change in any outstanding grant may be made that would materially impair the rights of the participant without the consent of the participant.

Unit Purchase Plan

Our managing general partner has adopted a unit purchase plan for employees of the managing general partner and its affiliates. We have reserved 50,000 units for purchase under the unit purchase plan. The unit purchase plan permits participants to purchase common units in market transactions, from us, our general partners or any other person. We currently expect such purchases to occur primarily in market transactions, although our plan allows us to issue additional units. Pursuant to the unit purchase plan, the managing general partner has agreed to pay the brokerage commissions, transfer taxes and other transaction fees associated with a participant's purchase of common units in market transactions and will reimburse to each participant an amount up to 10% of the costs of such units. The maximum amount that a participant may be reimbursed with respect to unit purchases in any calendar year may not exceed 10% of his or her base salary or wages for the year. Further, if any participant sells or otherwise disposes of units for which he or she has been reimbursed under this plan, the participant will thereafter be precluded from participating in the unit purchase plan. The unit purchase plan is intended to serve as a means for encouraging participants to invest in our common units.

Reimbursement of Expenses of the Managing General Partner

The managing general partner will not receive any management fee or other compensation for its management of our Company. The managing general partner and its affiliates will be reimbursed for expenses incurred on our behalf. These expenses include the costs of employee, officer and director compensation and benefits properly allocable to our Company and all other expenses necessary or appropriate to the conduct of our business and allocable to our Company. The partnership agreement provides that the managing general partner will determine the expenses that are allocable to our Company in any reasonable manner determined by the managing general partner in its sole discretion.

Compensation of Directors

Officers or employees of the managing general partner who also serve as directors will not receive additional compensation. In connection with our initial public offering, each non-employee director received an option under our long term incentive plan for 22,200 common units at an exercise price of $22.00 per share. In addition, each director receives cash compensation of $18,000 per year for attending our regularly scheduled quarterly board meetings. Each non-employee director will receive $1,000 for each special meeting of the board of directors attended. Non-employee directors will also receive $500 per compensation or audit committee attended and $1,000 per conflicts committee meeting attended. Each independent director will be reimbursed for out-of-pocket expenses in connection with

attending meetings of the board of directors or committees. Each director will be fully indemnified for actions associated with being a director to the extent permitted under Delaware law.

Compensation Committee Interlocks and Insider Participation

The Compensation Committee of the Board of Directors of the Managing General Partner determines compensation of the executive officers of Inergy. Richard C. Green, Jr. and David J. Schulte serve as the members of the Compensation Committee.

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

The following table sets forth certain information as of December 26, 2001 regarding the beneficial ownership of our Company's units by:

- each person who then beneficially owned more than 5% of such units then outstanding,
- each of the named executive officers of our managing general partner,
- all of the directors of our managing general partner, and
- all of the directors and executive officers of our managing general partner as a group.

All information with respect to beneficial ownership has been furnished by the respective directors, officers or 5% or more unitholders, as the case may be.

Name of Beneficial Owner (1)	Common Units Beneficially Owned	Percentage of Common Units Beneficially Owned	Senior Subordinated Units Beneficially Owned	Percentage of Senior Subordinated Units Beneficially Owned	Junior Subordinated Units Beneficially Owned	Percentage of Junior Subordinated Units Beneficially Owned	Percentage of Total Units Beneficially Owned
Inergy Holdings, LLC (2)	404,601	15.6%	959,954	29.0%	507,063	88.6%	28.9%
Country Partners, Inc. (3) 4010 Highway 14 Crystal Lake, IL 60014	-		409,091	12.3%	-	-	6.3%
KCEP Ventures II, L.P. (4) 253 West 47th Street Kansas City, MO 64112			395,454	11.9%	-	-	6.1%
Hoosier Propane Group (5) P.O. Box 9 Kendallville, IN 46755			336,456	10.2%	-	-	5.2%
Chase Venture Capital Associates, L.P. 1211 Avenue of the Americas, 40/th/ Floor New York, NY 10036	314,671	12.1%					4.9%
Rocky Mountain Mezzanine Fund (6) 1125 17th Street Suite 2260 Denver, CO 80202			241,818	7.3%	-	-	3.7%
John J. Sherman (7)	404,601	15.6%	959,954	29.0%	507,063	88.6%	28.9%
Phillip L. Elbert (5)	9,000	*	-	-	-	-	*
R. Brooks Sherman Jr.	1,000	*	-	-	-	-	*
Carl A. Hughes (8)	-	-	-	-	-	-	-
Michael D. Fox (8)	-	-	-	-	-	-	-

William C. Gautreaux (8)	9,700	*	-	-	-	-	*
Richard C. Green, Jr. (9)	-	-	31,818	1.0%	-	-	*
Warren H. Gfeller (10)			6,364	*	-	-	*
David J. Schulte (4)	675	*	395,454	11.9%	-	-	6.1%
All directors and executive officers as a group (9 persons)	424,976	16.3%	1,393,590	42.1%	507,063	88.6%	35.9%

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* less than 1%

(1) Unless otherwise indicated, the address of each person listed above is: 1101 Walnut, Suite 1500, Kansas City, Missouri 64106. All persons listed have sole voting power and investment power with respect to their units unless otherwise indicated.

(2) The senior and junior subordinated units indicated as beneficially owned by Inergy Holdings are held by New Inergy Propane, LLC, a wholly-owned subsidiary of Inergy Partners, LLC and an indirect subsidiary of Inergy Holdings. The common units indicated as beneficially owned by Inergy Holdings are held by Inergy Partners, LLC (10,000 units) and IPCH Acquisition Corp. (394,601 units), a wholly-owned subsidiary of Inergy Holdings.

(3) Country Partners, Inc. (formerly Country Gas Company, Inc.) is controlled by the estate of Leonard Peterson and Arlene Peterson.

(4) KCEP Ventures II, LP ("KCEP II") owns 395,454 senior subordinated units. KCEP II is a Missouri limited partnership. Mr. Schulte in his capacity as a managing director of KCEP II may be deemed to beneficially own these units. Mr. Green is a special limited partner in KCEP II. Both Mr. Schulte and Mr. Green disclaim beneficial ownership of these units.

(5) The Hoosier Propane Group consists of Domex, Inc., Investors, Inc. and L&L Leasing, Inc. (collectively, the "Hoosier Entities"). Each of Jerry Boman, Glen Cook and Wayne Cook own 31.8% of the Hoosier Entities. Mr. Elbert, one of our executive officers, holds the remaining ownership interest in the Hoosier Entities. He disclaims beneficial ownership of the units held by the Hoosier Entities.

(6) Edward C. Brown in his capacity as managing partner of Rocky Mountain Capital Partners, LLP, the general partner of Rocky Mountain Mezzanine Fund, may be deemed to beneficially own these units.

(7) Mr. Sherman holds an ownership interest in and has voting control of Inergy Holdings, as indicated in the following table.

(8) Messrs. Hughes, Fox and Gautreaux each hold an ownership interest in Inergy Holdings, as indicated in the following table.

(9) Mr. Green in his capacity as a general partner of RNG Investments, LP, a Delaware limited partnership ("RNG Investments"), may be deemed to beneficially own 31,818 senior subordinated units held by RNG Investments.

(10) Mr. Gfeller in his capacity as managing member of Clayton-Hamilton, LLC may be deemed to beneficially own 6,364 units held by Clayton-Hamilton.

The following table shows the beneficial ownership as of December 26, 2001 of Inergy Holdings, LLC of the directors and executive officers of our managing general partner. As reflected above, Inergy Holdings owns our managing general partner, substantially all of our non-managing general partner, the incentive distribution rights and, through subsidiaries, approximately 35.2% of our outstanding units.

Name of Beneficial Owner (1)	Inergy Holdings, LLC Percent of Class (2)
John J. Sherman	66.7%
Phillip L. Elbert (3)	-
R. Brooks Sherman Jr.	-
Carl A. Hughes	8.3

Michael D. Fox	8.3
William C. Gautreaux	8.3
Richard C. Green, Jr.	-
Warren H. Gfeller	-
David J. Schulte	-
All directors and executive officers as a group (9 persons) (3)	91.6%

(1) The address of each person listed above is 1101 Walnut, Suite 1500, Kansas City, Missouri 64106.

(2) The ownership of Inergy Holdings has not been certificated. As of the date of this report, voting rights attach only to Mr. John Sherman's ownership interest. In the event Mr. John Sherman's ownership fails to exceed 50%, the remaining owners of Inergy Holdings will acquire voting rights in proportion to the ownership interest.

(3) Mr. Elbert holds an option to acquire 7.1% of Inergy Holdings, which option is subject to the terms of the Inergy Holdings, LLC Employee Option Plan. The option vests fully at the end of five years and upon a sale of control as defined in the plan. The option vests 20% each year in the event Mr. Elbert's employment terminates as a result of his death, disability or termination without cause (as defined in Mr. Elbert's employment agreement). Mr. Elbert's option expires on January 12, 2011. In the event Mr. Elbert exercises his option, the respective ownership interests of the persons listed above will be reduced on a pro rata basis.

Item 13. Certain Relationships and Related Transactions.

Related Party Transactions

On December 31, 1999, KCEP Ventures II, L.P. ("KCEP II") acquired a preferred interest in a predecessor entity of Inergy, L.P., for $2.0 million in cash ("KCEP II 1999 Investment"). David Schulte, one of our directors, holds voting power in KCEP II. Richard Green, one of our directors, is a limited partner of KCEP II. Under the terms of its investment in us, KCEP II's preferred interest will automatically converted into 204,545 senior subordinated units. As a result of favorable conversion terms, there is a beneficial conversion feature associated with the KCEP II 1999 Investment. Please read "Notes to Consolidated Financial Statements." Further, pursuant to the terms of the KCEP II 1999 Investment, KCEP II will have the right to elect one member of the board of directors of our general partner until certain events related to subordination occur. David Schulte is currently serving as KCEP II's board designee. The terms of this investment also provide for certain limited registration rights which are described below.

On June 1, 2000, a predecessor entity of Inergy, L.P. acquired all of the propane assets of Country Gas Company, Inc. for a purchase price of approximately $18.6 million. The consideration paid in respect of the purchase price consisted of approximately $9.6 million in cash and assumed liabilities and a $9.0 million preferred interest in a predecessor entity. Under the terms of its preferred interest, Country Gas exchanged its preferred interest for 409,091 senior subordinated units concurrently with the July 2001 closing of our initial public offering.

As a result of the Country Gas acquisition, we lease three properties from Country Enterprises, an Illinois general partnership ("Country Enterprises"). Country Enterprises is controlled by the estate of Leonard Peterson and Arlene Peterson, the controlling shareholders of Country Partners (formerly Country Gas). The leases provide for aggregate monthly payments of $16,000 through June 30, 2001 and $14,000 thereafter, which are subject to adjustment based on the consumer price index. During the fiscal year ended September 30, 2001, we paid Country Enterprises an aggregate of $186,000 in respect of these leases. In addition, we pay for all utilities, taxes, insurance and normal maintenance on these properties.

Each lease has an initial term of five years expiring on May 31, 2005. We have the right to extend each lease for one successive term of five years.

On January 12, 2001, a predecessor entity of Inergy, L.P. sold preferred interests to various investors (the "2001 Investor Group"), including KCEP II, RNG Investments, L.P. and Clayton-Hamilton, LLC for $15 million in cash. After giving effect to the exercise of options subsequent to the January 2001 investment, KCEP II had invested, as part of the 2001 Investor Group, $3.0 million in our predecessor. Mr. Schulte, one of our directors, is a managing director of KCEP II. Mr. Green, one of our directors, is a limited partner of KCEP II and is the managing general partner of RNG Investments. Clayton-Hamilton is an affiliate of Mr. Gfeller, one of our directors. KCEP II, RNG Investments and Clayton-Hamilton acquired their preferred interests, for $3.0 million, $500,000 and $100,000, respectively. Concurrently with the July 2001 closing of our initial public offering, the preferred interests held by these investors automatically converted into 190,909, 31,818 and 6,364 senior subordinated units. As a result of favorable conversion terms, there is a beneficial conversion feature associated with the investment of the 2001 Investor Group. Please read "Notes to Consolidated Financial Statements."

As a group, all members of the 2001 Investor Group have the right to elect one director to our managing general partner's board of directors until certain events related to subordination occur. Mr. Green is currently the board designee of these investors. These investors are also entitled to registration rights, which are described below.

On January 12, 2001, our predecessor entered into an Investors Rights Agreement with the 2001 Investor Group. That agreement provides the members of the 2001 Investor Group with the following registration rights:

- The 2001 Investor Group may demand registration once following each date senior subordinated units are converted to common units. This demand, if made, must be made with respect to 50% or more of the common units then held by the 2001 Investor Group.

- If we meet the eligibility requirements of Form S-3, then members of the 2001 Investor Group representing 33 1/3% or more of the common units held by the 2001 Investor Group can demand that we file a registration statement on Form S-3 to register their common units.

- We are not required to effect more than one registration in any twelve-month period.

- If we file a registration statement (other than one relating to employee benefit plans or exchange offers), the members of the 2001 Investor Group have piggy-back registration rights subject to limitations specified in the Investors Rights Agreement.

- The right of the 2001 Investor Group to demand registration of their common units expires on the third anniversary of the final subordination release date and their right to piggy-back registration rights expires on the fifth anniversary of the final subordination release date.

- All costs of any registration exclusive of any underwriting discounts or commissions will be borne by Company.

On January 12, 2001, a predecessor entity of Inergy, L.P., acquired all of the propane assets of Investors 300, Inc., Domex, Inc. and L&L Leasing, Inc. (collectively, the "Hoosier Propane Group"), for a purchase price of approximately $74.0 million. Mr. Elbert, one of our executive officers, is a stockholder of the companies comprising the Hoosier Propane Group. The consideration paid in respect of the purchase price consisted of approximately $61.6 million in cash and assumed liabilities, a subordinated promissory note of $5.0 million and a preferred interest in our predecessor entity of $7.4 million. The subordinated promissory note was repaid at the closing of our initial public offering. The preferred interests held by the Hoosier Propane Group were exchanged for 336,456 senior subordinated units concurrently with our initial public offering.

TRANSACTIONS RELATED TO THE INDEPENDENT PROPANE COMPANY ACQUISITION

In connection with the Independent Propane Company acquisition, our Company and several of its affiliates entered into various transactions. IPCH Acquisition Corp., an affiliate of a managing general partner that ultimately become the sole stockholder of Independent Propane Company, borrowed approximately $27,000,000 from financial institution lenders. A portion of these loan proceeds were applied to acquire 365,019 common units from our Company. The aggregate purchase price paid for these common units was approximately $9,600,000. IPCH Acquisition Corp utilized these common units to provide a portion of the merger consideration distributed to certain former stockholders of Independent Propane Company's parent corporation. The balance of the loan proceeds - up to $17,400,000 -- were made available to provide the cash portion of the acquisition consideration.

Immediately following the Independent Propane acquisition, IPCH Acquisition Corp. sold, assigned and transferred to our operating company the operating assets of Independent Propane and certain rights under the Independent Propane acquisition agreement and related escrow agreement. In consideration for the above sale, assignment and transfer, our Company issued and sold to IPCH Acquisition Corp. 394,601 common units, and our operating company assumed responsibility for substantially all debts, liabilities and obligations of IPCH Acquisition Corp. as of the effective time of the Independent Propane acquisition, including the $27,000,000 loan referred to above. Our Company agreed that if it proposes to register any of its common units under applicable securities laws, IPCH Acquisition Corp. will have the right to include in such registration the 394,601 common units acquired by it, subject to various conditions and limitations specified in a Registration Rights Agreement entered

into by IPCH Acquisition Corp. and our Company.

Our operating company agreed that IPCH Acquisition Corp. may obtain loans from financial institution lenders during the five year period following the date of the Independent Propane acquisition for certain specified purposes. If IPCH Acquisition Corp. obtains any such loans, our operating company agreed to reimburse IPCH Acquisition Corp. for all out-of-pocket costs and expenses incurred for up to $5,000,000 of such borrowings, excluding interest.

IPCH Acquisition Corp. has the right to appoint two directors to the board of directors of our managing general partner for a period of three years immediately following the date of the Independent Propane acquisition.

IPCH Acquisition Corp. agreed to guarantee the payment when due of the obligations of our operating company with respect to the loan of up to $35,000,000.

An independent committee of the Board of Directors reviewed the transactions described above on behalf of the unitholders who are not affiliated with our managing general partner.

Inergy Partners, LLC contributed $203,857 in cash to Inergy, L.P. in conjunction with the Independent Propane Company acquisition in order to maintain its 2% non-managing general partner interest.

Distributions and Payments to the Managing General Partner and the Non-managing General Partner

The following table summarizes the distributions and payments to be made by us to our managing general partner and its affiliates in connection with the formation, ongoing operation and the liquidation of Inergy. These distributions and payments were determined by and among affiliated entities and are not the result of arm's length negotiations.

Formation Stage	
The consideration received by Inergy Holdings and its affiliates for the transfer of the affiliates' interests in the subsidiaries and a capital contribution	1,306,911 senior subordinated units and 572,542 junior subordinated units; a 2% general partner interest in Inergy; and the incentive distribution rights.
Operational Stage	
Distributions of available cash to our managing general partner and its affiliates	Cash distributions will generally be made 98% to the unitholders, including affiliates of the managing general partner as holders of common units and senior and junior subordinated units, and 2% to the non-managing general partner. In addition, if distributions exceed the target levels in excess of the minimum quarterly distribution, Inergy Holdings will be entitled to receive increasing percentages of the distributions, up to 48% of the distributions above the highest target level. Assuming we have sufficient available cash to pay the full minimum quarterly distribution on all of our outstanding units for four quarters, our non-managing general partner and its affiliates would receive a distribution of approximately $268,697 on the 2% general partner interest and a distribution of approximately $4,510,687 on their senior and junior subordinated units.
Payments to our managing general partner and its affiliates	Our managing general partner and its affiliates will not receive any management fee or other compensation for the management of Inergy. Our managing general partner and its affiliates will be reimbursed, however, for direct and indirect expenses incurred on our behalf. For the two months ended September 30, 2001, the expense reimbursement to the managing general partner and its affiliates was approximately $2.4 million.
Withdrawal or removal of our managing general partner	If our managing general partner withdraws in violation of the partnership agreement or is removed for cause, a successor general partner has the option to buy the general partner interests and incentive distribution rights from our non-managing general partner for a cash price equal to fair market value. If our managing general partner withdraws or is removed under any other circumstances, our non-managing general partner has the option to require the successor general partner to buy its

	general partner interests and incentive distribution rights for a cash price equal to fair market value. If either of these options is not exercised, the general partner interests and incentive distribution rights will automatically convert into common units equal to the fair market value of those interests. In addition, we will be required to pay the departing general partner for expense reimbursements.
Liquidation Stage	
Liquidation.....	Upon our liquidation, the partners, including our non-managing general partner, will be entitled to receive liquidating distributions according to their particular capital account balances.

Rights of our Managing General Partner and our Non-managing General Partner

A subsidiary of our non-managing general partner owns an approximate 34% limited partner interest in us. Inergy Holdings owns substantially all of our non-managing general partner and all of our managing general partner. The managing general partner's ability to manage and operate Inergy, L.P. coupled with Inergy Holdings' ownership of an aggregate 34% limited partner interest in us effectively gives Inergy Holding the right to veto some actions of Inergy, L.P. and to control the management of Inergy.

Contribution Agreement

Inergy, L.P., the managing general partner, the non-managing general partner and some other parties have entered into a contribution agreement that effected the vesting of assets in, and the assumption of liabilities by, the subsidiaries, and the application of the proceeds of our initial public offering. This agreement was not the result of arm's-length negotiations, and we cannot assure you that it, or that any of the transactions which it provides for, will be effected on terms at least as favorable to the parties to this agreement as they could have been obtained from unaffiliated third parties. All of the transaction expenses incurred in connection with these transactions, including the expenses associated with vesting assets into our subsidiaries, were paid from the proceeds of our initial public offering.

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K.

(a) Exhibits, Financial Statements and Financial Statement Schedules:

1. Financial Statements:

See Index Page for Financial Statements located on pages F-1 to F-34.

2. Financial Statement Schedules:

Financial statement schedules have been omitted because they either are not required, are immaterial or are not applicable or because equivalent information has been included in the financial statements, the notes thereto or elsewhere herein.

3. Exhibits:

Exhibit No.	Description

3.1	Certificate of Limited Partnership of Inergy, L.P. (filed as Exhibit 3.1 to our Company's Registration Statement on Form S-1 (Registration No. 333-56976) and incorporated herein by reference).
3.2	Form of Amended and Restated Agreement of Limited Partnership of Inergy, L.P. (included as Appendix A to the Prospectus constituting a part of our Company's Registration Statement on Form S-1 (Registration No. 333-56976) and incorporated herein by reference).
4.1	Specimen Unit Certificate for Senior Subordinated Units (filed as Exhibit 4.1 to our Company's Registration Statement on Form S-1 (Registration No. 333-56976) and incorporated herein by reference).
4.2	Specimen Unit Certificate for Junior Subordinated Units (filed as Exhibit 4.2 to our Company's Registration Statement on Form S-1 (Registration No. 333-56976) and incorporated herein by reference).
4.3	Specimen Unit Certificate for Common Units (filed as Exhibit 4.3 to our Company's Registration Statement on Form S-1 (Registration No. 333-56976) and incorporated herein by reference).
10.1	Fourth Amended and Restated Credit Agreement by and among Inergy Propane, LLC and the lenders named therein. **
10.2	Securities Purchase Agreement by and among Inergy Partners, LLC and various investors, dated as of January 12, 2001 (filed as Exhibit 10.3 to our Company's Registration Statement on Form S-1 (Registration No. 333-56976) and incorporated herein by reference).
10.3	Investor Rights Agreement by and among Inergy Partners, LLC and various investors, dated as of January 12, 2001 (filed as Exhibit 10.4 to our Company's Registration Statement on Form S-1 (Registration No. 333-56976) and incorporated herein by reference).
10.4	Inergy Employee Long-Term Incentive Plan (filed as Exhibit 10.6 to our Company's Registration Statement on Form S-1 (Registration No. 333-56976) and incorporated herein by reference).*
10.5	Inergy Unit Purchase Plan (filed as Exhibit 10.7 to our Company's Registration Statement on Form S-1 (Registration No. 333-56976) and incorporated herein by reference).*
10.6	Employment Agreement--John J. Sherman (filed as Exhibit 10.8 to our Company's Registration Statement on Form S-1 (Registration No. 333-56976) and incorporated herein by reference).*
10.7	Employment Agreement--Phillip L. Elbert (filed as Exhibit 10.9 to our Company's Registration Statement on Form S-1 (Registration No. 333-56976) and incorporated herein by reference).*
10.7.1	First Amendment to Employment Agreement--Phillip L. Elbert (filed as Exhibit 10.9a to our Company's Registration Statement on Form S-1 (Registration No. 333-56976) and incorporated herein by reference).*
10.8	Employment Agreement--R. Brooks Sherman Jr. (filed as Exhibit 10.10 to our Company's Registration Statement on Form S-1 (Registration No. 333-56976) and incorporated herein by reference).*

10.8.1 First Amendment to Employment Agreement--R. Brooks Sherman Jr. (filed as Exhibit 10.10a to our Company's Registration Statement on Form S-1 (Registration No. 333-56976) and incorporated herein by reference).*

10.9 Employment Agreement--Carl A. Hughes (filed as Exhibit 10.11 to our Company's Registration Statement on Form S-1 (Registration No. 333-56976) and incorporated herein by reference).*

10.10 Employment Agreement--Michael D. Fox (filed as Exhibit 10.12 to our Company's Registration Statement on Form S-1 (Registration No. 333-56976) and incorporated herein by reference).*

10.11 Employment Agreement--William C. Gautreaux (filed as Exhibit 10.13 to our Company's Registration Statement on Form S-1 (Registration No. 333-56976) and incorporated herein by reference).*

21.1 List of subsidiaries

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* Management contracts or compensatory plans or arrangements required to be identified by Item 14(a).

** Filed herewith

(b) Reports on Form 8-K.

No reports on Form 8-K were filed by the Partnership during the three month period ended September 30, 2001

(c) Exhibits.

See exhibits identified above under Item 14(a)3.

(d) Financial Statement Schedules.

See financial statement schedules identified above under Item 14(a)2, if any.

SIGNATURES

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

INERGY, L.P.

By Inergy GP, LLC
(its managing general partner)

Dated: December 28, 2001

By /s/ John J. Sherman

John J. Sherman, President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following officers and directors of Inergy GP, LLC, as managing general partner of Inergy, L.P., the registrant, in the capacities and on the dates indicated.

Date	Signature and Title
December 28, 2001	/s/ John. J. Sherman --- John J. Sherman, President, Chief Executive Officer and Director (Principal Executive Officer)
December 28, 2001	/s/ R. Brooks Sherman, Jr. --- R. Brooks Sherman, Jr., Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)
December 28, 2001	/s/ Phillip L. Elbert --- Phillip L. Elbert, Director
December 28, 2001	/s/ Richard C. Green, Jr. --- Richard C. Green, Jr., Director
December 28, 2001	/s/ Warren H. Gfeller --- Warren H. Gfeller, Director
December 28, 2001	/s/ David J. Schulte --- David J. Schulte, Director

Inergy, L.P.and Subsidiary
(Successor to Inergy Partners, LLC and Subsidiaries)

Consolidated Financial Statements

September 30, 2000 and 2001 and for the
Three Years in the Period Ended
September 30, 2001

Contents

Report of Independent Auditors

The Board of Directors and Members
Inergy, L.P. and Subsidiary

We have audited the accompanying consolidated balance sheets of Inergy, L.P. and subsidiary (successor to Inergy Partners, LLC and subsidiaries) (the Partnership) as of September 30, 2000 and 2001, and the related consolidated statements of operations, redeemable preferred members' interest and members' equity/partners' capital and cash flows for the years then ended. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the 2000 and 2001 financial statements referred to above present fairly, in all material respects, the consolidated financial position of Inergy, L.P. and subsidiary (successor to Inergy Partners, LLC and subsidiaries) at September 30, 2000 and 2001, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

/s/ ERNST & YOUNG LLP

Kansas City, Missouri
December 10, 2001, except for
Notes 4 and 12, as to which
the date is December 20, 2001

Inergy, L.P. and Subsidiary
(Successor to Inergy Partners, LLC and Subsidiaries)

Consolidated Balance Sheets

	September 30	
	2000	2001
	(In Thousands)	
Assets (Note 4)		
Current assets:		
Cash	$ 1,373	$ 2,171
Accounts receivable, less allowance for doubtful accounts of $225 and $186 at September 30, 2000 and 2001, respectively	12,602	11,457
Inventories	3,630	12,694
Prepaid expenses and other current assets	1,014	1,411
Assets from price risk management activities	3,580	9,187
Total current assets	22,199	36,920
Property, plant and equipment, at cost:		
Land and buildings	740	4,511
Office furniture and equipment	808	1,172
Vehicles	4,138	11,435
Tanks and plant equipment	30,283	58,737
	35,969	75,855
Less accumulated depreciation	(2,533)	(5,812)
Net property, plant and equipment	33,436	70,043
Intangible assets (Note 2):		
Covenants not to compete	3,228	3,771
Deferred financing costs	333	2,985
Deferred acquisition costs	460	115
Customer accounts	3,500	14,000
Goodwill	6,880	32,121
	14,401	52,992
Less accumulated amortization	(1,246)	(4,431)
Net intangible assets	13,155	48,561
Other	134	129
Total assets	$68,924	$155,653

	September 30 2000	2001
	(In Thousands)	
Liabilities and members' equity/partners' capital		
Current liabilities:		
Accounts payable	$11,502	$ 8,416
Accrued expenses	3,715	5,679
Customer deposits	1,676	10,060
Liabilities from price risk management activities	2,294	4,612
Current portion of long-term debt (Note 4)	605	10,469
Total current liabilities	19,792	39,236
Deferred income taxes (Note 6)	942	-
Long-term debt, less current portion (Note 4)	34,322	43,663
Redeemable preferred members' interest (Notes 2 and 7)	10,896	-
Members' equity/partners' capital (Notes 2, 4, 7 and 8):		
Class A preferred interest	4,892	-
Common interest	(1,686)	-
Deferred compensation	(234)	-
Common unitholders (1,840,000 units issued and outstanding in 2001)	-	24,981
Senior subordinated unitholders (3,313,367 units issued and outstanding in 2001)	-	45,060
Junior subordinated unitholders (572,542 units issued and outstanding in 2001)	-	1,258
Non-managing general partner (2% interest with dilutive effect equivalent to 116,855 units issued and outstanding in 2001)	-	1,455
Total members' equity/partners' capital	2,972	72,754
Total liabilities and members' equity/partners' capital	$68,924	$155,653

See accompanying notes.

Inergy, L.P. and Subsidiary
(Successor to Inergy Partners, LLC and Subsidiaries)

Consolidated Statements of Operations
(In Thousands Except Per Unit Data)

	(3) Year Ended September 30		
	1999	2000	2001
Revenue:			
Propane	$16,227	$89,042	$212,441
Other	2,984	4,553	10,698
	19,211	93,595	223,139
Cost of product sold	13,754	81,636	182,582
Gross profit	5,457	11,959	40,557
Expenses:			
Operating and administrative	4,119	8,990	23,501
Depreciation and amortization	690	2,286	6,532
Operating income	648	683	10,524
Other income (expense):			
Interest expense (Note 4)	(962)	(2,740)	(6,670)
Gain on sale of property, plant and equipment	101	-	37
Finance charges	79	176	290
Other	5	59	168
Income (loss) before income taxes	(129)	(1,822)	4,349
Provision for income taxes	56	7	-
Net income (loss)	$ (185)	$(1,829)	$ 4,349

Predecessor net income for the period from October 1, 2000 through July 31, 2001	$ 6,664
Inergy, L.P. net loss for the period from August 1, 2001 through September 30, 2001	$ (2,315)
Partners' interest information for the period from August 1, 2001 through September 30, 2001:	
Non-managing general partners' interest in net loss	$ (46)
Limited partners' interest in net loss:	
Common unit interest:	
Allocation of net loss	$ (729)
Less beneficial conversion value allocated to senior subordinated units (Notes 1 and 7)	(8,600)
Net common unit interest	(9,329)
Senior subordinated interest:	
Allocation of net loss	(1,313)
Plus beneficial conversion value allocated to senior subordinated units (Notes 1 and 7)	8,600
Net senior subordinated unit interest	7,287
Junior subordinated unit interest	(227)
Total limited partners' interest in net loss	$ (2,269)
Net loss per limited partner unit -basic and diluted	$ (0.40)
Weighted average limited partners' units outstanding	5,726

See accompanying notes.

Inergy, L.P. and Subsidiary
(Successor to Inergy Partners, LLC and Subsidiaries)

Consolidated Statements of Redeemable Preferred Members' Interest and Members' Equity/Partners' Capital
(In Thousands)

		Members' Equity			Partners' Capital	
	Redeemable Preferred Members' Interest	Class A Preferred Interest	Common Interest	Deferred Compensation	Common Unit Capital	Senior Subordinated Unit Capital
Balance at September 30, 1998	$ -	$2,345	$ 658	$(392)	$ -	$ -
Common and preferred interests issued in acquisitions (Note 2)	-	2,548	397	-	-	-
Amortization of deferred compensation	-	-	-	78	-	-
Members' distributions	-	-	(180)	-	-	-
Net loss	-	-	(185)	-	-	-
Balance at September 30, 1999	-	4,893	690	(314)	-	-
Redeemable preferred interests issued in acquisitions (Note 2)	9,000	-	-	-	-	-
Redeemable preferred interests issued for cash, net of offering costs of $104	1,896	-	-	-	-	-
Redemption of preferred interest	-	(1)	-	1	-	-
Amortization of deferred compensation	-	-	-	79	-	-
Members' distributions	-	-	(547)	-	-	-
Net loss	-	-	(1,829)	-	-	-
Balance at September 30, 2000	10,896	4,892	(1,686)	(234)	-	-

	Partners' Capital		Total
	Junior Subordinated Unit Capital	Non-Managing General Partner	Members' Equity/ Partners' Capital
Balance at September 30, 1998	$ -	$ -	$ 2,611
Common and preferred interests issued in acquisitions (Note 2)	-	-	2,945
Amortization of deferred compensation	-	-	78
Members' distributions	-	-	(180)
Net loss	-	-	(185)
Balance at September 30, 1999	-	-	5,269
Redeemable preferred interests issued in acquisitions (Note 2)	-	-	-
Redeemable preferred interests issued for cash, net of offering costs of $104	-	-	-
Redemption of preferred interest	-	-	-
Amortization of deferred compensation	-	-	79
Members' distributions	-	-	(547)
Net loss	-	-	(1,829)
Balance at September 30, 2000	-	-	2,972

Inergy, L.P. and Subsidiary
(Successor to Inergy Partners, LLC and Subsidiaries)

Consolidated Statements of Redeemable Preferred Members' Interest and Members' Equity/Partners' Capital (continued)
(In Thousands)

		Members' Equity			Partners' Capital	
	Redeemable Preferred Members' Interest	Class A Preferred Interest	Common Interest	Deferred Compensation	Common Unit Capital	Senior Subordinated Unit Capital
Balance at September 30, 2000	$ 10,896	$ 4,892	$ (1,686)	$ (234)	$ -	$ -
Net income October 1, 2000 through July 31, 2001	$ -	-	6,664	-	-	-
Redeemable preferred interests issued for cash, net of offering costs of $513	16,087	-	-	-	-	-
Redeemable preferred interests issued in acquisition (Note 2)	7,402	-	-	-	-	-
Inergy Partners, LLC members' distributions	-	-	(2,554)	-	-	-
Redemption of preferred interest	-	(41)	8	-	-	-
Amortization of deferred compensation	-	-	-	65	-	-
Assets (liabilities) retained by Inergy Partners LLC	-	-	(909)	-	-	-
Accelerated vesting of deferred compensation due to initial public offering	-	-	-	169	-	-
Net proceeds from initial public offering	-		-	-	34,310	-
Transfers of capital in accordance with initial public offering	(34,385)	(4,851)	(1,523)	-	-	37,773
Net loss August 1, 2001 through September 30, 2001	-	-	-	-	(729)	(1,313)
Beneficial conversion feature of the conversion of certain Redeemable Preferred Members' Interests to Senior Subordinated Units	-	-	-	-	(8,600)	8,600
Balance at September 30, 2001	$ -	$ -	$ -	$ -	$24,981	$45,060

	Partners' Capital		Total
	Junior Subordinated Unit Capital	Non-Managing General Partner	Members' Equity/ Partners' Capital
Balance at September 30, 2000	$ -	$ -	$ 2,972
Net income October 1, 2000 through July 31, 2001	-	-	6,664
Redeemable preferred interests issued for cash, net of offering costs of $513	-	-	-
Redeemable preferred interests issued in acquisition (Note 2)	-	-	-
Inergy Partners, LLC members' distributions	-	-	(2,554)
Redemption of preferred interest	-	-	(33)
Amortization of deferred compensation	-	-	65
Assets (liabilities) retained by Inergy Partners LLC	-	-	(909)
Accelerated vesting of deferred compensation due to initial public offering	-	-	169
Net proceeds from initial public offering	-	-	34,310
Transfers of capital in accordance with initial public offering	1,485	1,501	34,385
Net loss August 1, 2001 through September 30, 2001	(227)	(46)	(2,315)
Beneficial conversion feature of the conversion of certain Redeemable Preferred Members' Interests to Senior Subordinated Units	-	-	-
Balance at September 30, 2001	$ 1,258	$ 1,455	$ 72,754

See accompanying notes.

Inergy, L.P. and Subsidiary
(Successor to Inergy Partners, LLC and Subsidiaries)

Consolidated Statements of Cash Flows
(In Thousands)

	(4) Year Ended September 30		
	1999	2000	2001
Operating activities			
Net income (loss)	$ (185)	$ (1,829)	$ 4,349
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Provision for doubtful accounts	77	139	912
Depreciation	440	1,427	3,438
Amortization	250	859	3,094
Amortization of deferred financing costs	73	87	424
Gain on disposal of property, plant and equipment	(101)	-	(37)
Deferred income taxes	8	-	-
Net liabilities from price risk management activities	1,206	(2,492)	(3,289)
Deferred compensation	78	79	234
Changes in operating assets and liabilities, net of effects from acquisition of retail propane companies:			
Accounts receivable	(3,451)	(5,842)	13,370
Inventories	(3,812)	1,660	(6,154)
Prepaid expenses and other current assets	(86)	(388)	(321)
Other assets	(13)	(121)	5
Accounts payable	2,642	3,836	(19,115)
Accrued expenses	913	2,049	1,871
Customer deposits	1,187	314	5,878
Net cash provided by (used in) operating activities	(774)	(222)	4,659
Investing activities			
Acquisition of retail propane companies	(11,430)	(9,600)	(56,263)
Purchases of property, plant and equipment	(1,354)	(2,275)	(4,758)
Deferred financing and acquisition costs incurred	(473)	(573)	(3,114)
Proceeds from sale of property, plant and equipment	127	-	118
Other	-	(16)	(8)
Net cash used in investing activities	(13,130)	(12,464)	(64,025)

Inergy, L.P. and Subsidiary
(Successor to Inergy Partners, LLC and Subsidiaries)

Consolidated Statements of Cash Flows (continued)
(In Thousands)

	(5) Year Ended September 30		
	1999	2000	2001
Financing activities			
Proceeds from issuance of long-term debt	$ 25,373	$ 35,787	$ 178,054
Principal payments on long-term debt and noncompete obligations	(11,137)	(23,229)	(163,849)
Net proceeds from issuance of redeemable preferred members' interest	-	1,896	16,087
Net proceeds from issuance of common units in initial public offering	-	-	34,310
Cash retained by Inergy Partners LLC			(1,851)
Redemption of preferred stock			(33)
Distributions to predecessor members	(180)	(547)	(2,554)
Net cash provided by financing activities	14,056	13,907	60,164
Net increase in cash	152	1,221	798
Cash at beginning of year	-	152	1,373
Cash at end of year	$ 152	$ 1,373	$ 2,171
Supplemental disclosure of cash flow information			
Cash paid during the year for interest	$ 823	$ 2,538	$ 6,171
Supplemental schedule of noncash investing and financing activities			
Additions to covenants not to compete through the issuance of noncompete obligations	$ 2,052	$ 32	$ -
Acquisitions of retail propane companies through the issuances of common member equity and preferred interests	$ 2,945	$ 9,000	$ 7,402
Acquisition of retail propane company through the issuance of subordinated debt, which was subsequently retired in 2001	$ -	$ -	$ 5,000

See accompanying notes.

1. Accounting Policies

Organization

Inergy, L.P. (the Partnership) was formed on March 7, 2001 as a Delaware limited partnership. The Partnership and its subsidiary Inergy Propane, LLC (the Operating Company) were formed to acquire, own and operate the propane business and substantially all the assets and liabilities (other than a portion of the cash and deferred income tax liabilities) of Inergy Partners, LLC and subsidiaries (Inergy Partners and referred to subsequent to the initial public offering described below as the Non-managing General Partner). In addition, Inergy Sales and Service, Inc. (Services), a subsidiary of the Operating Company, was formed to acquire and operate the service, work and appliance parts and sales business of Inergy Partners. The Partnership, the Operating Company, and Services are collectively referred to hereinafter as the Partnership Entities. In order to simplify the Partnership's obligations under the laws of several jurisdictions in which the Partnership will conduct business, the Partnership's activities will be conducted through the Operating Company.

The Partnership Entities consummated in July 2001, an initial public offering (the Offering) of 1,840,000 common units representing limited partner interests in the Partnership (the Common Units) for an offering price of $22.00 per Common Unit aggregating $40,480 before approximately $6,170 of underwriting discounts and commissions and other expenses related to the Offering. The Operating Company assumed the Non-managing General Partner's obligation under its funded debt in connection with the conveyance in July 2001 (the Partnership Conveyance) by Inergy GP, LLC (the Managing General Partner) and the Non-managing General Partner (together referred to as the General Partners), of substantially all of their assets and liabilities (excluding $1,851 of cash and the deferred tax liabilities associated with the subsidiaries of Wilson Oil Company of Johnston County, Inc. (Wilson) and Rolesville Gas & Oil Company, Inc. (Rolesville)). The net proceeds from the Offering were used to repay the subordinated debt issued in connection with the acquisition of the Hoosier Propane Group (Note 2) and a portion of the outstanding credit agreement borrowings.

Pursuant to the terms of certain of the redeemable Class A preferred interest agreements issued by Inergy Partners prior to the Offering, in the event of an initial public offering, these interests would automatically convert into senior subordinated units of a master limited partnership. As such, in conjunction with the Offering, an additional 2,006,456

1. Accounting Policies (continued)

Senior Subordinated Units were issued to holders of the remaining redeemable Class A preferred interests of Inergy Partners, representing a 34.3% limited partner interest in the Partnership Entities.

Certain of the redeemable Class A preferred interests of Inergy Partners contained conversion terms that were more advantageous than the terms of the other preferred interests issued by Inergy Partners as further described in Note 7. These beneficial conversion terms resulted in Inergy, L.P. recognizing a decrease in common unit capital of $8.6 million with a corresponding increase in senior subordinated unit capital in the fourth quarter of fiscal 2001 following the Offering. Net income available to common unitholders for the fourth quarter and year ended September 30, 2001 is decreased by $8.6 million while net income attributable to senior subordinated unitholders is increased by the same amount.

Inergy, L.P. has no employees and is managed by Inergy GP, LLC. Pursuant to the Partnership Agreement, Inergy GP, LLC or any of its affiliates is entitled to reimbursement for all direct and indirect expenses incurred or payments it makes on behalf of Inergy, L.P., and all other necessary or appropriate expenses allocable to Inergy, L.P. or otherwise reasonably incurred by the Inergy GP, LLC in connection with operating Inergy, L.P. business. These costs, which totaled approximately $2,435 for the period from August 1, 2001 through September 30, 2001, include compensation and benefits paid to officers and employees of Inergy GP, LLC.

The General Partners own general partner interests representing an aggregate 2% unsubordinated general partner interest in the Partnership and the Operating Company on a combined basis. In addition, the Non-managing General Partner owns 1,306,911 Senior Subordinated Units and 572,542 Junior Subordinated Units representing a 32.2% limited partner interest in the Partnership Entities.

Basis of Presentation

The accompanying consolidated financial statements presented herein reflect the effects of the Partnership Conveyance, in which the Partnership Entities became the successor to the businesses of Inergy Partners. As such, the consolidated financial statements represent Inergy Partners prior to the Partnership Conveyance and the Partnership Entities

1. Accounting Policies (continued)

subsequent to the Partnership Conveyance. Because the Partnership Conveyance was a transfer of assets and liabilities in exchange for partnership interests among a controlled group of companies, it has been accounted for in a manner similar to a pooling of interests, resulting in the presentation of the Partnership Entities as the successor to the continuing businesses of Inergy Partners. The entity representative of both the operations of (i) Inergy Partners prior to the Partnership Conveyance; and (ii) the Partnership Entities subsequent to the Partnership Conveyance, is referred to herein as 'Inergy'. The Non-Managing General Partner retained those assets and liabilities not conveyed to the Partnership. All significant intercompany balances and transactions have been eliminated in consolidation.

Nature of Operations

Inergy is engaged primarily in the sale, distribution, marketing and trading of propane and other natural gas liquids. The retail market is seasonal because propane is used primarily for heating in residential and commercial buildings, as well as for agricultural purposes. Inergy's operations are concentrated in the Midwest and Southeast regions of the United States.

Accounting for Price Risk Management

Inergy, through its wholesale operations, offers price risk management services to its customers and, in addition, trades for its own account (see Note 3). Financial instruments utilized in connection with trading activities are accounted for using the mark-to-market method. Under the mark-to-market method of accounting, forwards, swaps, options and storage contracts are reflected at fair value, inclusive of reserves, and are shown in the consolidated balance sheet as assets and liabilities from price risk management activities. Unrealized gains and losses from newly originated contracts, contract restructuring and the impact of price movements are recognized in cost of products sold. Changes in the assets and liabilities from trading and price risk management activities result primarily from changes in the market prices, newly originated transactions and the timing of settlement relative to the receipt of cash for certain contracts. The market prices used to value these transactions reflect management's best estimate considering various factors

1. Accounting Policies (continued)

including closing exchange and over-the-counter quotations, time value and volatility factors underlying the commitments. The values are adjusted to reflect the potential impact of liquidating Inergy's position in an orderly manner over a reasonable period of time under present market conditions.

The cash flow impact of financial instruments is reflected as cash flows from operating activities in the consolidated statements of cash flows. See Note 3 for further discussion of Inergy's price risk management activities.

Revenue Recognition

Sales of propane are recognized at the time product is shipped or delivered to the customer. Revenue from the sale of propane appliances and equipment is recognized at the time of sale or installation. Revenue from repairs and maintenance is recognized upon completion of the service.

Credit Concentrations

Inergy is both a retail and wholesale supplier of propane gas. Inergy generally extends unsecured credit to its wholesale customers throughout the Midwestern and Eastern portions of the United States. Credit is generally extended to retail customers through delivery into company and customer owned propane gas storage tanks. Provisions for doubtful accounts receivable are reflected in Inergy's consolidated financial statements and have generally been within management's expectations.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

(In Thousands Except Unit and Per Unit Data)

1. Accounting Policies (continued)

Inventories

Inventories for retail operations, which mainly consist of liquid propane, are stated at the lower of cost, determined using the average cost method or market. Inventories for wholesale operations, which consist mainly of liquid propane commodities, are stated at market, as discussed in Note 3. The market adjustment was an unrealized gain of $39 at September 30, 2000 and an unrealized loss of $396 at September 30, 2001.

Shipping and Handling Costs

Shipping and handling costs are recorded as part of cost of products sold at the time product is shipped or delivered to the customer.

Property, Plant, and Equipment

Property, plant, and equipment are stated at cost. Depreciation is computed by the straight-line method over the assets' estimated useful lives, as follows:

	Years
Buildings and improvements	25
Office furniture and equipment	5-10
Vehicles	5-10
Tanks and plant equipment	10-30

Intangible Assets

Intangible assets are amortized on a straight-line basis over their estimated economic lives, as follows:

	Years
Covenants not to compete	5-10
Deferred financing costs	1-3
Customer accounts	15
Goodwill	15

1. Accounting Policies (continued)

Deferred financing costs represent financing costs incurred in obtaining financing and are being amortized over the term of the debt. Covenants not to compete, customer accounts and goodwill arose from the various acquisitions by Inergy and are discussed in Note 2.

Deferred acquisition costs represent costs incurred to date on acquisitions that Inergy is actively pursuing, most of which relate to the acquisitions completed subsequent to year end, as discussed in Note 12.

Inergy reviews its long-lived assets in accordance with Statement of Financial Accounting Standards (SFAS) No. 121, "Accounting for the Impairment of Long-Lived Assets and Long-lived Assets to be Disposed of," for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such events or changes in circumstances are present, a loss is recognized if the carrying value of the asset is in excess of the sum of the undiscounted cash flows expected to result from the use of the asset and its eventual disposition. An impairment loss is measured as the amount by which the carrying amount of the asset exceeds the fair value of the asset.

Income Taxes

The earnings of the Partnership and Operating Company are included in the Federal and state income tax returns of the individual partners. As a result, no income tax expense has been reflected in Inergy's consolidated financial statements relating to the earnings of the Partnership and Operating Company. Federal and state income taxes are, however, provided on the earnings of Services. The Partnership entities provide deferred income taxes to recognize the effect of temporary differences between Services' basis of assets and liabilities for income tax and financial statement purposes. No income tax provision was necessary at September 30, 2001. Net earnings for financial statement purposes may differ significantly from taxable income reportable to unitholders as a result of differences between the tax basis and the financial reporting basis of assets and liabilities and the taxable income allocation requirements under the partnership agreement. Federal and state income tax expense for periods prior to the Partnership Conveyance relate to Wilson

1. Accounting Policies (continued)

and Rolesville, wholly owned subsidiaries of Inergy Partners, which were C Corporations and accounted for income taxes in accordance with SFAS No. 109, Accounting for Income Taxes. In connection with the Partnership Conveyance, all income tax liabilities of Inergy Partners were retained by the Non-managing General Partner.

Customer Deposits

Customer deposits primarily represent cash received by Inergy from wholesale and retail customers for propane purchased that will be delivered at a future date.

Fair Value

The carrying amounts of cash, accounts receivable and accounts payable approximate their fair value. Based on the estimated borrowing rates currently available to Inergy for long-term debt with similar terms and maturities, the aggregate fair value of Inergy's long-term debt approximates the aggregate carrying amount as of September 30, 2000 and 2001.

Income (Loss) per Limited Partner Unit

Basic net income (loss) per limited partner unit is computed by dividing net income (loss), after considering the General Partner's interest, by the weighted average number of Common and Subordinated Units outstanding. Diluted net income (loss) per limited partner unit is computed by dividing net income (loss), after considering the General Partner's interest, by the weighted average number of Common and Subordinated Units outstanding and the dilutive effect of unit options granted under the long-term incentive plan. Unit options were antidilutive in 2001 due to the loss incurred for the period from August 1, 2001 through September 30, 2001. As such, basic and diluted net income (loss) per limited partner unit are identical in 2001.

1. Accounting Policies (continued)

Segment Information

In fiscal 1999, the Company adopted SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information. SFAS No. 131 establishes standards for reporting information about operating segments, as well as related disclosures about products and services, geographic areas, and major customers. Further, SFAS No. 131 defines operating segment as components of an enterprise for which separate financial information is available that is evaluated regularly by the chief operating decision-maker in deciding how to allocate resources and assessing performance. In determining the Company's reportable segments under the provisions of SFAS No. 131, the Company examined the way it organizes its business internally for making operating decisions and assessing business performance. See Note 11 for disclosures related to the Company's retail and wholesale segments. No single customer represents 10% or more of consolidated revenues. In addition, nearly all of the Company's revenues are derived from sources within the United States, and all of its long-lived assets are located in the United States.

Recently Issued Accounting Pronouncements

In June 2001, the FASB issued Statement No. 141, Business Combinations, and Statement No. 142, Goodwill and Other Intangible Assets. Statement No. 141 requires all business combinations initiated after June 30, 2001, to be accounted for using the purchase method of accounting. Under Statement No. 142, goodwill is no longer subject to amortization over its estimated useful life. Rather, goodwill will be subject to at least an annual assessment for impairment by applying a fair-value-based test. Additionally, an acquired intangible asset should be separately recognized if the benefit of the intangible asset is obtained through contractual or other legal rights, or if the intangible asset can be sold, transferred, licensed, rented or exchanged, regardless of the acquirer's intent to do so. Those assets will be amortized over their useful lives, other than assets what have an indefinite life. Statement No. 142 is required to be applied starting with fiscal years beginning after December 15, 2001. Early application is permitted for entities with fiscal years beginning after March 15, 2001, provided that the first interim financial statements have not previously been issued.

1. Accounting Policies (continued)

Inergy adopted Statement No. 142 on October 1, 2001 and accordingly has discontinued the amortization of goodwill existing at the time of adoption. Under the provisions of Statement No. 142, Inergy has six months from the time of adoption to have completed the valuation of each of Inergy's operating segments to determine whether any impairment exists on the date of adoption. However, management does not believe that any impairment existed at adoption. The adoption of Statement No. 142 will eliminate goodwill amortization that would have totaled approximately $2,079 in fiscal 2002, based on the balances of September 30, 2001, and totaled approximately $1,720 in fiscal 2001.

In August 2001, the FASB issued Statement No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. This Statement supersedes FASB Statement No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of, and the accounting and reporting provisions of APB Opinion No. 30, Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions. This statement retains the fundamental provisions of Statement No. 121 for recognition and measurement of the impairment of long-lived assets to be held and used, and measurement of long-lived assets to be disposed of by sale. This statement is effective for financial statements issued for fiscal years beginning after December 15, 2001 and interim periods within those fiscal years, with early application encouraged. Management has not determined the method, timing, or impact of adopting Statement No. 144.

Reclassifications

Certain reclassifications have been made to the 1999 and 2000 consolidated financial statements to conform to the 2001 presentation.

2. Acquisitions

During fiscal 1999, Inergy acquired substantially all of the assets of Ernie Lee Oil & LP Gas, LLC (December 1998), Longston Gas & Oil Company, Inc. (May 1999), Castleberry's, Inc. (July 1999), and Bradley Propane, Inc. (September 1999). In addition, Inergy acquired 100% of the oustanding stock of Wilson Oil Company of Johnston County, Inc. (December 1998) and Rolesville Gas & Oil Company, Inc. (August 1999) through a stock exchange and a purchase agreement. These acquired retail companies are involved in the sale and distribution of propane to local customer bases throughout the United States. The acquisitions have been accounted for using the purchase method of accounting. The acquired companies were purchased in separate transactions for an aggregate purchase price of $19,659 including acquisition costs and $3,232 in liabilities assumed. The consideration utilized in the fiscal 1999 acquisitions consisted of cash payments of $11,430 funded by the issuance of long-term debt, common and Class A preferred interests issued to certain former owners of these companies totaling $2,945, and the issuance of noncompete obligations in the amount of $2,052. Of the aggregate purchase price, $2,810 (including cash paid at closing) was allocated to covenants not to compete. The excess of aggregate purchase price over the fair market values of the net tangible and identifiable intangible assets acquired amounted to $942 and has been recorded as an increase in goodwill. The operating results of all acquisitions are included in Inergy's consolidated results of operations from the dates of acquisition.

During fiscal year 2000, Inergy acquired substantially all of the assets of Butane-Propane Gas Company of Tenn., Inc. (November 1999) and substantially all of the assets of Country Gas Company, Inc. (June 2000). These acquired retail companies are involved in the sale of propane to local customer bases throughout the United States. The acquisitions have been accounted for using the purchase method of accounting. The acquired companies were purchased in separate transactions for an aggregate purchase price of $19,787, including acquisition costs, and $1,155 in liabilities assumed. The consideration utilized in the 2000 acquisitions consisted of cash payments of $9,600 funded by the issuance of long-term debt, redeemable Class A preferred interests issued to certain former owners of these companies totaling $9,000 (see Note 7) and the issuance of

2. Acquisitions (continued)

noncompete obligations in the amount of $32. Of the aggregate purchase price, $102 (including cash paid at closing) was allocated to covenants not to compete. The excess of aggregate purchase prices over the fair market values of the net tangible and identifiable intangible assets acquired, including $3,500 allocated to customer accounts, amounted to $5,594 and has been recorded as an increase in goodwill. The operating results of all acquisitions are included in Inergy's consolidated results of operations from the dates of acquisition.

On January 12, 2001, Inergy acquired substantially all of the assets and assumed certain liabilities of Investors 300, Inc., Domex, Inc. and L&L Leasing, Inc., three companies owned by a common group of shareholders (referred to as the Hoosier Propane Group). The acquisition has been accounted for using the purchase method of accounting. The Hoosier Propane Group is involved in the sale and transportation of propane to local customer bases throughout the United States. The purchase price of approximately $74.0 million consisted of cash payments of approximately $55.4 million funded by the issuance of long-term debt and redeemable Class A preferred interests, acquisition costs of $0.6 million, a redeemable Class A preferred interest issued to certain former owners of the Hoosier Propane Group totaling $7.4 million, subordinated debentures issued to the Hoosier Propane Group shareholders totaling $5.0 million, and $5.6 million of liabilities assumed. The excess of purchase price over the fair market value of the net tangible and identifiable intangible assets acquired, including $10,500 allocated to customer accounts, amounted to $25,241 and has been recorded as an increase in goodwill. The acquisition was effective January 1, 2001 and Inergy's consolidated results of operations for the year ended September 30, 2001 include the Hoosier Propane Group operating results from the effective date.

During November 2000, Inergy also acquired substantially all the assets of Bear-Man Propane for $520 in cash. Inergy's consolidated results of operations for the year ended September 30, 2001 include Bear-Man Propane from the date of acquisition.

The following unaudited pro forma data summarize the results of operations for the periods indicated as if these acquisitions had been completed October 1, 1999 and 2000, the beginning of the 2000 and 2001 fiscal years. The pro forma data give effect to actual operating results prior to the acquisitions and adjustments to interest expense, goodwill

(In Thousands Except Unit and Per Unit Data)

2. Acquisitions (continued)

and customer accounts amortization, and income taxes. These pro forma amounts do not purport to be indicative of the results that would have actually been obtained if the acquisitions had occurred on October 1, 1999 and 2000 or that will be obtained in the future. The pro forma data does not give effect to acquisitions completed subsequent to September 30, 2001.

	Year Ended September 30	
	2000	2001
Sales	$167,031	$254,680
Net income (loss)	(3,522)	6,012

3. Price Risk Management and Financial Instruments

Inergy has recorded its trading activities at fair value in accordance with Emerging Issues Task Force Issue (EITF) No. 98-10, "Accounting for Contracts Involved in Energy Trading and Risk Management Activities." EITF No. 98-10 requires energy trading contracts to be recorded at fair value on the consolidated balance sheet, with the changes in fair value included in earnings.

Trading Activities

Inergy, through its wholesale operations, offers price risk management services to energy related businesses through a variety of financial and other instruments including forward contracts involving physical delivery of propane. In addition, Inergy manages its own trading portfolio using forward physical and futures contracts. Inergy attempts to balance its contractual portfolio in terms of notional amounts and timing of performance and delivery obligations. However, net unbalanced positions can exist or are established based on assessment of anticipated short-term needs or market conditions.

3. Price Risk Management and Financial Instruments (continued)

The price risk management services are offered to propane retailers and other related businesses through a variety of financial and other instruments including forward contracts involving physical delivery of propane, swap agreements, which require payments to (or receipt of payments from) counterparties based on the differential between a fixed and variable price for propane, options and other contractual arrangements.

Instruments used for trading purposes include forwards, swaps and options, as defined above, as well as futures contracts.

Notional Amounts and Terms

The notional amounts and terms of these financial instruments at September 30, 2000 and 2001 include fixed price payor for 1,526 and 2,505 barrels, respectively, and fixed price receiver for 1,479 and 2,862 barrels, respectively.

Notional amounts reflect the volume of the transactions, but do not represent the amounts exchanged by the parties to the financial instruments. Accordingly, notional amounts do not accurately measure Inergy's exposure to market or credit risks.

Fair Value

The fair value of the financial instruments related to price risk management activities as of September 30, 2000 and 2001 was assets of $3,580 and $9,187, respectively, and liabilities of $2,294 and $4,612, respectively, related to propane. The effects of all intercompany transactions have been appropriately eliminated.

The net change in unrealized gains and losses related to trading and price risk management activities for the years ended September 30, 1999, 2000, and 2001 of ($154), $1,479, and $2,214, respectively, are included in cost of product sold in the accompanying consolidated statements of operations.

(In Thousands Except Unit and Per Unit Data)

3. Price Risk Management and Financial Instruments (continued)

Market and Credit Risk

Inherent in the resulting contractual portfolio are certain business risks, including market risk and credit risk. Market risk is the risk that the value of the portfolio will change, either favorably or unfavorably, in response to changing market conditions. Credit risk is the risk of loss from nonperformance by suppliers, customers, or financial counterparties to a contract. Inergy takes an active role in managing and controlling market and credit risk and has established control procedures, which are reviewed on an ongoing basis. Inergy monitors market risk through a variety of techniques, including daily reporting of the portfolio's value to senior management. Inergy provides for such risks at the time trading activities are adjusted to fair value and when specific risks become known. Inergy attempts to minimize credit risk exposure through credit policies and periodic monitoring procedures. The counterparties associated with assets from price risk management activities as of September 30, 2000 and 2001 are energy marketers.

4. Long-Term Debt

Long-term debt consisted of the following:

	September 30	
	2000	2001
Credit agreement	$33,250	$53,000
Obligations under noncompetition agreements	1,625	1,101
Other	52	31
	34,927	54,132
Less current portion	605	10,469
	$34,322	$43,663

During fiscal 2000, Inergy had a credit agreement with a financial institution providing Inergy with the capacity to borrow up to $41,000 ($9,000 under working capital lines of credit and $32,000 under a long-term acquisition line of credit). At September 30, 2000, borrowings under the working capital lines of credit and the acquisition line of credit were $4,900 and $28,350, respectively. The prime rate and LIBOR plus the applicable spreads were 9.5% and 9.37% to 9.93%, respectively, at September 30, 2000.

4. Long-Term Debt (continued)

Inergy's credit agreement was amended in January 2001 in connection with the Hoosier Propane Group acquisition and resulted in a $96 million facility consisting of a $25 million revolving working capital line of credit and an acquisition term note of $71 million, with a maturity date of January 10, 2004. On July 25, 2001, in conjunction with the Offering (July 2001 amendment), the credit facility was again amended such that Inergy Propane, LLC was made the sole borrower and resulted in a $30 million revolving working capital line of credit and a $70 million revolving acquisition facility for acquisition and growth capital borrowings. The credit facility has a term of three years expiring July 2004 and is guaranteed by Inergy, L.P. and each subsidiary of Inergy Propane, LLC. Inergy is required to reduce the principal outstanding on the revolving working capital line of credit to $4,000 or less for a minimum of 30 consecutive days during the period commencing March 1 and ending September 30. As such $4,000 of the outstanding balance at September 30, 2001 has been classified as a long-term liability in the accompanying 2001 consolidated balance sheet. At September 30, 2001, the balance outstanding under this amended credit facility was $53,000, including $14,000 under the working capital facility. The prime rate and LIBOR plus the applicable spreads were between 5.10% and 6.00% for all outstanding debt.

Inergy's credit agreement was again amended in December 2001 in connection with the IPC Acquisition (December 2001 amendment), as discussed in Note 12. This December 2001 amendment resulted in a $195 million facility comprised of a $50 million revolving working capital facility, a $75 million revolving acquisition facility and a 1-year, $70 million term note. The December 2001 amendment has a term of three years, expiring December 2004, and has similar interest terms to the July 2001 amendment.

During fiscal 2001, Inergy entered into interest rate hedging agreements in the form of interest rate swaps. Immediately prior to the closing of the Offering in July 2001, the interest rate hedging agreements were terminated in connection with the repayment of the long-term debt with offering proceeds. The termination of the interest rate swaps resulted in an interest expense charge of $507 in the fourth quarter of fiscal 2001.

The credit agreement, including the December 2001 amendment, contains several covenants which, among other things, require the maintenance of various financial performance ratios, restrict the payment of dividends to unitholders, and require financial reports to be submitted periodically to the financial institutions. Unused borrowings under the credit agreement amounted to $47 million at September 30, 2001.

(In Thousands Except Unit and Per Unit Data)

4. Long-Term Debt (continued)

Noninterest-bearing obligations due under noncompetition agreements consist of agreements between Inergy and the sellers of retail propane companies acquired from fiscal years 1999 through 2001 with payments due through 2009 with imputed interest at 8.5% to 9.0%. Noninterest-bearing obligations consist of $2,130 and $1,448 in total payments due under noncompetition agreements, less unamortized discount based on imputed interest of $505 and $347 at September 30, 2000 and 2001, respectively.

The aggregate amounts of principal to be paid on the outstanding long-term debt during the next five years ending September 30 and thereafter, considering the terms of the credit facilities amended in December 2001 as discussed above, are as follows:

2002	$10,469
2003	75
2004	43,081
2005	86
2006	92
Thereafter	329
	$54,132

5. Leases

Inergy has several noncancelable operating leases mainly for office space, which expire at various times over the next nine years.

Future minimum lease payments under noncancelable operating leases for the next five years ending September 30 and thereafter consist of the following:

(3) Year Ending September 30	
2002	$ 513
2003	406
2004	359
2005	222
2006	50
Thereafter	68
Total minimum lease payments	$ 1,618

(In Thousands Except Unit and Per Unit Data)

5. Leases (continued)

Rent expense for all operating leases during 1999, 2000, and 2001 amounted to $196, $424 and $581, respectively.

6. Income Taxes

Deferred income taxes related to Wilson and Rolesville reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Components of the deferred taxes at September 30, 2000 are a noncurrent deferred tax liability of $942 related to book/tax basis differences. This liability was excluded from the Partnership Conveyance as discussed in Note 1.

The provision for income taxes for the years ended September 30, 1999 and 2000 consists of the following:

	September 30	
	1999	2000
Current:		
Federal	$ 41	$ -
State	7	7
Total current	48	7
Deferred:		
Federal	7	-
State	1	-
Total deferred	8	-
	$ 56	$ 7

For the years ended September 30, 1999 and 2000, the Wilson and Rolesville effective tax rate differed from the statutory rate primarily due to the effect of graduated rates and state taxes. There was no provision for income taxes in fiscal 2001.

7. Redeemable Preferred Members' Interests and Members' Equity

During December 1999, Inergy issued redeemable Class A preferred interests to a new member for total proceeds of $2,000 less offering costs of $104. During June 2000, Inergy issued redeemable Class A preferred interests to certain former owners of Country Gas Company, Inc. totaling $9,000 in connection with the acquisition of Country Gas Company, Inc. These preferred interests were automatically converted into Senior Subordinated Units of Inergy, L.P. in connection with the Offering. The conversion rates were determined as of the issuance date based on negotiations between Inergy and the unrelated third parties and were derived by multiplying the recorded value of each party's preferred interest by a multiple of 2.25 for the December 1999 transaction and 1.0 for the June 2000 transaction and dividing the resulting total by the $22.00 unit price in the Offering. The beneficial conversion feature present in the December 1999 issuance, valued at $2 million, has been recognized upon completion of the Offering as discussed in Note 1.

During January 2001, Inergy issued redeemable Class A preferred interests to new and existing members for total proceeds of $15,000, less offering costs of $485. The preferred interests were issued to facilitate the refinancing of Inergy's credit facilities described in Note 4 on a long-term basis and complete the Hoosier Propane Group acquisition in January 2001. In March and May 2001, additional redeemable preferred interests were issued at the same valuation for total proceeds of $1,600 less offering costs of $28.

These preferred interests were automatically converted into Senior Subordinated Units of Inergy, L.P. in connection with the Offering. The conversion rates were determined as of the issuance date based on negotiations between Inergy and the third party investors and were derived by multiplying the recorded value of each party's preferred interest by a multiple of 1.4 and dividing the resulting total by the $22.00 unit price in the Offering. The beneficial conversion feature present in these preferred interest issuances valued at $6.6 million has been recognized upon completion of the Offering as described in Note 1.

The redeemable preferred interests issued in December 1999, June 2000, and January 2001 provided the holders the option to require Inergy to redeem the preferred interests, as provided in the agreements, but no earlier than the fifth anniversary of the issuance. The preferred interest issued to members for cash in December 1999 and January 2001 were redeemable in an amount between one and two times face value at issuance,

7. Redeemable Preferred Members' Interests and Members' Equity (continued)

depending on Inergy's operating performance, as defined in the agreement. The preferred interests issued to certain former owners of Country Gas Company, Inc. and the Hoosier Propane Group were redeemable in an amount equal to face value at issuance plus any unpaid dividends. No amounts were required to be redeemed during the next five years following issuance, except in certain circumstances, as provided for in the agreements. All preferred interests were converted into Senior Subordinated Units as described above.

The Class A preferred interest earned cumulative dividends of 8% to 10% per annum, depending on the date and amount of the preferred interest issued. Class A preferred members were not entitled to any voting rights. In the event of a public offering, Inergy was to use its best efforts to permit the holders of Class A preferred interest units to exchange their Class A preferred interest units for Common Units, notwithstanding the conversion terms discussed above. Upon liquidation, Class A preferred members were entitled to an aggregate preference distribution of the unpaid dividends prior to any liabilities. Additionally, Class A preferred members were also entitled to preference over common interests subsequent to the payment of the Company's liabilities. Distributions totaling $180, $547, and $2,554 were paid to Class A preferred members in 1999, 2000, and 2001, respectively. Unpaid distributions on preferred interests as of September 30, 2001 amounted to $0.4 million and were declared and paid in October 2001.

8. Partners' Capital

Partners' capital consists of 1,840,000 Common Units representing a 31.5% limited partner interest, 3,313,367 Senior Subordinated Units representing a 56.7% limited partner interest, 572,542 Junior Subordinated Units representing a 9.8% limited partner interest and a 2% general partner interest.

The amended and restated Agreement of Limited Partnership of Inergy, L.P. (Partnership Agreement) contains specific provisions for the allocation of net earnings and losses to each of the partners for purposes of maintaining the partner capital accounts.

8. Partners' Capital (continued)

During the Subordination Period (as defined below), the Partnership may issue up to 800,000 additional Common Units (excluding Common Units issued in connection with conversion of Subordinated Units into Common Units) or an equivalent number of securities ranking on a parity with the Common Units and an unlimited number of partnership interests junior to the Common Units without a Unitholder vote. The Partnership may also issue additional Common Units during the Subordination Period in connection with certain acquisitions or the repayment of certain indebtedness. After the Subordination Period, the Partnership Agreement authorizes the General Partner to cause the Partnership to issue an unlimited number of limited partner interests of any type without the approval of any Unitholders.

Quarterly Distributions of Available Cash

The Partnership is expected to make quarterly cash distributions of all of its Available Cash, generally defined as income (loss) before income taxes plus depreciation and amortization, maintenance capital expenditures and net changes in reserves established by the General Partner for future requirements. These reserves are retained to provide for the proper conduct of the Partnership business, or to provide funds for distributions with respect to any one or more of the next four fiscal quarters.

Distributions by the Partnership in an amount equal to 100% of its Available Cash will generally be made 98% to the Common and Subordinated Unitholders and 2% to the General Partner, subject to the payment of incentive distributions to the holders of Incentive Distribution Rights to the extent that certain target levels of cash distributions are achieved. To the extent there is sufficient Available Cash, the holders of Common Units have the right to receive the Minimum Quarterly Distribution ($0.60 per Unit), plus any arrearages, prior to any distribution of Available Cash to the holders of Subordinated Units. Common Units will not accrue arrearages for any quarter after the Subordination Period (as defined below) and Subordinated Units will not accrue any arrearages with respect to distributions for any quarter.

8. Partners' Capital (continued)

In general, the Subordination Period will continue indefinitely until the first day of any quarter beginning after June 30, 2006 for the Senior Subordinated Units and June 30, 2008 for the Junior Subordinated Units in which distributions of Available Cash equal or exceed the Minimum Quarterly Distribution on the Common Units and the Subordinated Units for each of the three consecutive four-quarter periods immediately preceding such data. Prior to the end of the Subordination Period, 828,342 Senior Subordinated Units will convert to Common Units after June 30, 2004 and 143,136 Junior Subordinated Units will convert to Common Units after June 30, 2006 and another 828,342 Senior Subordinated Units will convert to Common Units after June 30, 2005 and 143,136 Junior Subordinated Units will convert to Common Units after June 30, 2007, if distributions of Available Cash on the Common Units and Subordinated Units equal or exceed the Minimum Quarterly Distribution for each of the three consecutive four-quarter periods preceding such date. Upon expiration of the Subordination Period, all remaining Subordinated Units will convert to Common Units.

The Partnership is expected to make distributions of its Available Cash within 45 days after the end of each fiscal quarter ending December, March, June, and September to holders of record on the applicable record date.

Long-Term Incentive Plan

An affiliate of Inergy's managing general partners adopted the Inergy Long-Term Incentive Plan for employees, consultants, and directors of the managing general partner and employees of its affiliates that perform services for Inergy. The long-term incentive plan currently permits the grant of awards covering an aggregate of 589,000 common units, which can be granted in the form of unit options and/or restricted units; however, not more than 192,000 restricted units may be granted under the plan. With the exception of 28,038 unit options (exercise prices from $3.83 to $10.67) granted to non-executive employees in exchange for option grants made by the predecessor in fiscal 1999, all unit options and restricted units granted under the plan will vest no sooner than, and in the same proportion as, Senior Subordinated Units convert into Common Units as described above. The compensation committee of the managing general partner's board of directors administers the plan.

8. Partners' Capital (continued)

Restricted Units

A restricted unit is a "phantom" unit that entitles the grantee to receive a common unit upon the vesting of the phantom unit, or in the discretion of the compensation committee, cash equivalent to the value of a common unit. In general, restricted units granted to employees will vest three years from the date of grant and are subject to the vesting provisions described above in connection with the subordination period. In addition, the restricted units will become exercisable upon a change of control of the managing general partner or Inergy.

The restricted units are intended to serve as a means of incentive compensation for performance and not primarily as an opportunity to participate in the equity appreciation of the common units. Therefore, plan participants will not pay any consideration for the common units they receive, and Inergy will receive no remuneration for the units.

As of September 30, 2001, there were no restricted units issued under the long-term incentive plan.

Unit Options

Unit options issued under the long-term incentive plan will generally have an exercise price equal to the fair market value of the units on the date of grant. In general, unit options will expire after 10 years and are subject to the vesting provisions described above in connection with the subordination period. In addition, the unit options will become exercisable upon a change of control of the managing general partner or Inergy. Subsequent to the Offering, 267,782 unit options were granted to various Inergy employees with exercise prices ranging from $16.37 to $22.00 per unit. Total unit options outstanding at September 30, 2001 were 295,820 with exercise prices ranging from $3.83 to $22.00. None of the outstanding unit options were exercisable at September 30, 2001.

Inergy applies APB Opinion No. 25, Accounting for Stock Issued to Employees. Inergy follows the disclosure only provision of SFAS No. 123, Accounting for Stock-based Compensation. Pro forma net income (loss) and net income (loss) per limited partner unit under the fair value method of accounting for equity instruments under SFAS No. 123 would not be materially different from reported net income (loss) and net income (loss) per limited partner unit.

9. Employee Benefit Plans

Inergy's subsidiaries have a 401(k) profit-sharing plan for those employees who have completed one year of service and have attained the age of 21. The plan permits employees to make contributions up to 15% of their salary and provides for matching contributions by Inergy. Matching contributions made by Inergy were $21, $52, and $101 in 1999, 2000, and 2001, respectively.

10. Commitments

Inergy periodically enters into agreements to purchase fixed quantities of liquid propane at fixed prices with suppliers. At September 30, 2001, the total of these firm purchase commitments was approximately $40,244.

At September 30, 2001, Inergy is contingently liable for letters of credit outstanding totaling $900, which guarantees various trade activities.

11. Segments

Inergy's financial statements reflect two reportable segments: retail sales operations and wholesale sales operations. Inergy's retail sales operations include propane sales to end users, the sale of propane-related appliances and service work for propane-related equipment. The wholesale sales operations, which originated in April 1999, provide marketing and distribution services to other resellers of propane, including Inergy's retail operations. Inergy's President and Chief Executive Officer has been identified as the Chief Operating Decision Maker (CODM). The CODM evaluates performance and allocates resources based on revenues and gross profit of each segment. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. All intersegment revenues and profits associated with propane sales from the wholesale segment to the retail segment have been eliminated.

The identifiable assets associated with each reportable segment reviewed by the CODM include accounts receivable and inventories. The net asset/liability from price risk management, as reported in the accompanying consolidated balance sheet, is related to the wholesale trading activities and is specifically reviewed by the CODM. Capital

(In Thousands Except Unit and Per Unit Data)

11. Segments (continued)

expenditures, reported as purchases of property, plant and equipment in the accompanying consolidated statements of cash flows, substantially all relate to the retail sales segment. Inergy does not report property, plant and equipment, intangible assets, and depreciation and amortization by segment to the CODM.

Revenues, gross profit, and identifiable assets for each of Inergy's reportable segments are presented below.

	Year Ended September 30,1999			
	Retail Sales Operations	Wholesale Sales Operations	Intersegment Eliminations	Total
Revenues	$ 9,860	$ 10,276	$ (925)	$ 19,211
Gross Profits	4,946	511	-	5,457
Identifiable assets	2,993	8,032	(925)	10,100

	Year Ended September 30,2000			
	Retail Sales Operations	Wholesale Sales Operations	Intersegment Eliminations	Total
Revenues	$23,461	$ 78,517	$ (8,383)	$ 93,595
Gross Profits	10,693	2,179	(913)	11,959
Identifiable assets	5,006	11,623	(397)	16,232

	Year Ended September 30,2001			
	Retail Sales Operations	Wholesale Sales Operations	Intersegment Eliminations	Total
Revenues	$71,340	$187,521	$(35,722)	$223,139
Gross Profits	34,633	8,747	(2,823)	40,557
Identifiable assets	5,704	18,447	-	24,151

12. Subsequent Events

Effective November 1, 2001, Inergy acquired substantially all of the assets and assumed certain liabilities of Pro Gas Sales & Service, Spe-D Gas Company, Great Lakes Propane Company and Ottawa LP Gas Company, four companies under common control (collectively Pro Gas). Pro Gas is a retail propane distributor located in central Michigan. Inergy purchased Pro Gas for cash funded through its credit facility.

Effective December 20, 2001, IPCH Acquisition Corp., a newly formed and wholly-owned subsidiary of Inergy Holdings, LLC, purchased all of the outstanding stock and assumed the outstanding debt of Independent Propane Company, Inc. for total consideration of $84.8 million including working capital of approximately $7.5 million. Immediately thereafter, Inergy purchased from Inergy Holdings, LLC substantially all of the assets and assumed certain liabilities of IPCH Acquisition Corporation for $74.7 million in cash, funded through its credit facility, and the issuance of approximately 760,000 common units for total consideration of $95.1 million, including working capital of approximately $7.5 million (the IPC Acquisition). The $10.3 million greater consideration paid by Inergy over that paid by IPCH Acquisition Corp. relates to the tax liability generated by the sale of the assets by IPCH Acquisition Corp. to Inergy. Independent Propane Company, Inc. operates as a retail distributor of propane in seven states, with its primary operations in Texas.

As discussed in Note 4, Inergy's credit facility was amended in December 2001 in conjunction with the IPC Acquisition.

On November 14, 2001, Inergy paid a distribution of $0.40 per Common and Subordinated Unit with a proportionate amount to the 2% nonmanaging general partner, or an aggregate of $2,337, including $47 to the nonmanaging general partner.

(In Thousands Except Unit and Per Unit Data)

13. Quarterly Financial Data (Unaudited)

Summarized unaudited quarterly financial data is presented below. Inergy's business is seasonal due to weather conditions in its service areas. Propane sales to residential and commercial customers are affected by winter heating season requirements, which generally results in higher operating revenues and net income during the period from October through March of each year and lower operating revenues and either net losses or lower net income during the period from April through September of each year. Sales to industrial and agricultural customers are much less weather sensitive.

	Quarter Ended			
	December 31	March 31	June 30	September 30
Fiscal 2001				
Revenues	$72,411	$98,028	$21,803	$30,897
Operating income (loss)	4,076	10,726	(2,200)	(2,078)
Net income (loss)	3,209	8,978	(4,162)	(3,676)
Basic and diluted net income (loss) per limited partner unit for the period from August 1, 2001 through September 30, 2001				(0.40)
Fiscal 2000				
Revenues	$20,563	$29,894	$13,208	$29,930
Operating income (loss)	1,198	2,225	(1,298)	(1,442)
Net income (loss)	698	1,663	(1,953)	(2,237)

EXHIBIT 10.1

FOURTH AMENDED AND RESTATED

CREDIT AGREEMENT

Dated as of December 20, 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 Documentation Agent,

and

FLEET NATIONAL BANK,

as Syndication Agent

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EXHIBITS

SCHEDULES

This FOURTH 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 20th day of December, 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 and restated 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 Original 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 "Second Amended and Restated Credit Agreement").

The Borrower and certain lenders subsequently amended and restated the Second Amended and Restated Credit Agreement in its entirety pursuant to a Third Amended and Restated Credit Agreement dated as of July 25, 2001 (as amended to date, the "Existing Credit Agreement").

The Borrower and certain Lenders desire to amend and restate the Existing Credit Agreement in its entirety on the terms and conditions set forth in this Agreement.

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 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.

"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, the Permitted Acquisition Commitment and the IPC 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 Two Hundred Million Dollars ($195,000,000).

"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 next adjustment of the Applicable Margin made in accordance with the terms of this Agreement. 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%

* With respect to the Applicable Margin for Base Rate Loans and LIBOR Rate Loans under the IPC Acquisition Facility, the Applicable Margin shall be increased by (i) 0.50% on the six (6) month anniversary date of the Closing Date, and (ii) an additional .50% on the nine (9) month anniversary date of the Closing Date, if the advances outstanding under the IPC Acquisition Facility exceed $25,000,000 on each of such dates.

"Applicable Margin Calculation Certificate" means, at any time, the certificate, substantially in the form of Exhibit G hereto, signed by a
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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" means, with respect to the Borrower, for any period:

(a) the sum of:

(1) all cash and cash equivalents of the Borrower and its Subsidiaries on hand at the end of such period; and

(2) all additional cash and cash equivalents of the Borrower and its Subsidiaries on hand on the date of determination of Available Cash for such period resulting from Working Capital Loans made after the end of such period;

(b) less the amount of any cash reserves that is necessary or appropriate in the reasonable discretion of the Borrower to:

(1) provide for the proper conduct of the business of the Borrower and its Subsidiaries (including reserves for future Capital Expenditures and for future credit needs of the Borrower and its Subsidiaries) after such period; and

(2) comply with applicable law or any debt instrument or other agreement or obligation to which the Borrower or any of its Subsidiaries is a party or its assets are subject;

provided, further, that disbursements made by the Borrower or any of its Subsidiaries or cash reserves established, increased or reduced after the end of such period but on or before the date of determination of Available Cash for such period shall be deemed to have been made, established, increased or reduced, for purposes of determining Available Cash, within such period if the Borrower so determines.

"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 Permitted Acquisition Loans outstanding, (iii) the principal amount of the IPC Acquisition Loan outstanding, (iv) the aggregate principal amount of all Swingline Loans outstanding and (v) 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 Second 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 Second 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) for the period commencing July 1 and ending December 31 of each Fiscal Year only, $12,000,000, 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) $50,000,000.

"Borrowing Base Certificate" has the meaning assigned thereto in Section 7.01(b)(i).

"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.

"Cleandown 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" means First Union National Bank or such other Person named in the Intercreditor Agreement, entered into from time to time.

"Commitment" means, as to any Lender, on a collective basis, such Lender's Permitted Acquisition Commitment, Working Capital Commitment and IPC Acquisition 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; (b) for Permitted Acquisition Loans, (i) the amount of the Permitted Acquisition Commitment of such Lender to (ii) the Permitted Acquisition Commitment of all of the Lenders; and (c) for the IPC Acquisition Loan, (i) the amount of the IPC Acquisition Commitment of such Lender to (ii) the IPC Acquisition Commitment of all of the Lenders.

"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 EBITDA for any period during which the IPC Acquisition or a Permitted Acquisition is consummated, Consolidated 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 IPC Acquisition or Permitted Acquisition occurred on the first day of such period. For the period of October 1, 2000 up to, but not including, July 25, 2001, 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 (iii) on a pro-forma basis, the sum of all interest accrued relating to Debt incurred in connection with the IPC Acquisition or a Permitted Acquisition, calculated in a manner reasonably satisfactory to the Administrative Agent, 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, July 25, 2001, 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), except to the extent that the aggregate amount of outstanding Working Capital Loans and Swingline Loans exceeds the sum of items (i)(b) and (i)(c) of the definition of Borrowing Base.

"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, the Intercreditor Agreement 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 Permitted Acquisition Facility, the IPC Acquisition Facility and the L/C Facility.

"Credit Parties" means, collectively, Inergy, L.P., IPCH Acquisition Corp., 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.

"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
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the aggregate liabilities of the Borrower and its Controlled Subsidiaries to such Account Debtor in excess of $2,000,000; provided, however, the
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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
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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 sis; 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 inventory of the Borrower and its Controlled Subsidiaries, consisting of propane, fuel oil, diesel oil, kerosene or gasoline, as 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 (except for Liens under items (1) or (4) of the definition of Permitted Liens, which secure obligations in excess of $1,000,000 in the aggregate), 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) $25,000,000.

"Eligible Inventory Advance Rate" means, with respect to Eligible Inventory, 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 Permitted Acquisition Loans made by such Lender then outstanding, (c) the aggregate principal amount of the IPC Acquisition Loan made by such Lender then outstanding, (d) such Lender's Commitment Percentage of the L/C Obligations then outstanding and (c) 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 Inergy, L.P. Guaranty Agreement in substantially the form of Exhibit I-2 hereto, (iii) the IPCH Acquisition Corp. Guaranty Agreement in substantially the form of Exhibit I-3 hereto, and (iv) 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.

"Heller Credit Facility" means the credit facilities made available to Independent Propane Company, pursuant to Amended and Restated Credit Agreement dated as of September 11, 1998, among Independent Propane Company, Heller Financial, Inc., and certain other lenders party thereto.

"Hoosier Subordinated Debt" means the Debt evidenced by, collectively, (i) that certain Subordinated Debenture dated as of January 12, 2001, payable by the Borrower 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 the Borrower 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 the Borrower to Investors 300, Inc., an Indiana corporation, in the amount of $2,950,000.

"Independent Propane Company" means Independent Propane Company, a Delaware corporation.

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

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

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

"Inergy, L.P. Guaranty Agreement" means the Amended and Restated Guaranty executed by Inergy, 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.

"Inergy, L.P. Pledge Agreement" means the Amended and Restated Pledge Agreement from Inergy, L.P., as pledgor, to the Administrative Agent, as pledgee, dated the Closing Date, pursuant to which Inergy, L.P. grants to the Administrative Agent a Lien as security for the payment and performance of all obligations under the Inergy, L.P. Guaranty Agreement on all of Inergy 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.

"Inergy Partners" means Inergy Partners, LLC, a Delaware limited liability company.

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

"Inergy Transportation" means Inergy 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 only such modifications as are approved by the Required
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Lenders, 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).

"IPC Acquisition" means the acquisition by the Borrower of all of the outstanding Capital Stock of Independent Propane Company, pursuant to the Plan of Merger.

"IPC Acquisition Commitment" means, (a) as to any Lender, the obligation of such Lender to make the IPC Acquisition Loan 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
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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 IPC Acquisition Loan, as such amount may be reduced at any time from time to time pursuant to the terms hereof. The IPC Acquisition Commitment of all Lenders on the Closing Date shall be Seventy Million Dollars ($70,000,000).

"IPC Acquisition Facility" means the loan facility established pursuant to Section 2.04.

"IPC Acquisition Facility Termination Date" means the earlier to occur of (a) December ___, 2002, and (b) the Termination Date.

"IPC Acquisition Loan" means the loan made by the Lenders to the Borrower pursuant to Section 2.04.

"IPC Acquisition Notes" means the separate IPC Acquisition Notes made by the Borrower, payable to the order of each Lender, substantially in the form of Exhibit A-3 hereto, evidencing the IPC Acquisition Facility, and any amendments and modifications thereto, any substitutes therefor, and any replacements, restatements, renewals or extension thereof, in whole or in part. "IPC Acquisition Note" means any of such IPC Acquisition Notes.

"IPCH Acquisition Corp." means IPCH Acquisition Corp., a Delaware corporation.

"IPCH Acquisition Corp. Guaranty Agreement" means the Limited Guaranty executed by IPCH Acquisition Corp. 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.

"IPCH Demand Loan" means the $27,000,000 loan made by First Union, as lender, to IPCH Acquisition Corp., as borrower, evidenced by that certain Demand Promissory Note dated December ___, 2001, made by IPCH Acquisition Corp. to First Union.

"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) Ten Million Dollars ($10,000,000), (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.
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"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, Permitted Acquisition Loan, IPC 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, executed by the Borrower in favor of the Administrative Agent, relating to the real properties owned by the Borrower, (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 otherwise 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 Permitted Acquisition Notes, the IPC 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 7.01(g).

"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 fifty-one percent (51%) of the voting equity interests of another Person (such Person, together with any and all Subsidiaries of 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 (or, in the reasonable discretion of the Administrative Agent, within a reasonable time after such acquisition), the Administrative Agent shall have (or shall have received, as the case may be), subject to Section 12.10(b):

(i) in the case of an asset acquisition, with respect to the Target Assets, a perfected Lien on (1) such fee-owned real properties as constitute at least seventy-five percent (75%) of the aggregate value of the fee-owned real properties included in the Target Assets, as determined by the Administrative Agent in its reasonable discretion, (2) such motor vehicles as constitute at least seventy-five percent (75%) of the aggregate value of the motor vehicles included in the Target Assets, as determined by the Administrative Agent in its reasonable discretion, (3) all other material

personal property assets included in the Target Assets (to the extent that (a) a Lien can be perfected thereon by the filing of UCC financing statements in the appropriate jurisdictions, and (b) if required by the Administrative Agent, a Lien can be perfected thereon by possession or other methods under the UCC), all 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 on which the Administrative Agent has a perfected Lien);

(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 perfected Lien on (1) such fee-owned real properties as constitute at least seventy-five percent (75%) of the aggregate value of all existing and future fee-owned real properties of the Target, as determined by the Administrative Agent in its reasonable discretion, (2) such motor vehicles as constitute at least seventy-five percent (75%) of the aggregate value of all existing and future motor vehicles of the Target, as determined by the Administrative Agent in its reasonable discretion, (3) all other material existing and future personal property assets of the Target (to the extent that (a) a Lien can be perfected thereon by the filing of UCC financing statements in the appropriate jurisdictions, and (b) if required by the Administrative Agent, a Lien can be perfected thereon by possession or other methods under the UCC), all 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 such assets of the Target on which the Administrative Agent has a perfected Lien), (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 fee-owned real properties, then, with respect to such fee-owned real properties as constitute at least seventy-five percent (75%) of the aggregate value of the fee-owned real properties included in the Target Assets and other assets of the Target, as determined by the Administrative Agent in its reasonable discretion, at no expense to the Administrative Agent, (i) record owner searches with respect to each such fee-owned real property in form, terms and scope, satisfactory to the Administrative Agent, and (ii) a mortgage, deed of trust or deed to secure debt, as applicable, satisfactory to the Administrative Agent and granting the Administrative Agent a perfected Lien on each such fee interest.

(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.

Notwithstanding anything to the contrary set forth above, the conditions set forth in subpart (5) shall not apply to the acquisition of Target Assets (whether acquired in one or more related or unrelated transactions) to the extent that the aggregate purchase price of such Target Assets does not exceed $2,000,000.

"Permitted Acquisition Commitment" means, (a) as to any Lender, the obligation of such Lender to make Permitted 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,
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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 Permitted Acquisition Loans, as such amount may be reduced at any time from time to time pursuant to the terms hereof. The Permitted Acquisition Commitment of all Lenders on the Closing Date shall be Seventy-Five Million Dollars ($75,000,000).

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

"Permitted 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
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context requires.

"Permitted Acquisition Notes" means the separate Permitted Acquisition Notes made by the Borrower, payable to the order of each Lender, substantially in the form of Exhibit A-1 hereto, evidencing the Permitted Acquisition
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Facility, and any amendments and modifications thereto, any substitutes therefor, and any replacements, restatements, renewals or extension thereof, in whole or in part. "Permitted Acquisition Note" means any of such Permitted Acquisition Notes.

"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 Closing 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 and subpart (6) below, provided that the aggregate outstanding principal amount of such Debt (with respect to all Credit Parties) does not exceed $5,000,000 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;
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(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 (or the Collateral 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 $100,000,000; (ii) such obligations are not secured by any other assets (real or personal) of any Person not securing the Obligations; (iii) such obligations are not guaranteed by any Person other than Persons guaranteeing the Obligations; (iv) such Obligations shall not require or permit any principal payments to be made on or prior to December 31, 2004 and (v) 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.

"Plan of Merger" means the series of transactions pursuant to which the IPC Acquisition shall be consummated, as described in detail on Schedule 1.01C hereto.

"Pledge Agreements" means, collectively, (i) the Borrower Pledge Agreement, (ii) the Inergy, L.P. Pledge Agreement and (iii) 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.

"Post-Closing Agreement" has the meaning assigned thereto in Section 5.02(a)(xiv).

"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
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Letters of Credit.

"Required Lenders" means, at any date, any combination of Lenders whose Commitments aggregate at least sixty-six and two-thirds percent (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 sixty-six and two-thirds percent (66-2/3%) of the aggregate Extensions of Credit.

"Risk Management Policy" means that certain trading and risk management policy of the Borrower and its Subsidiaries, as approved by the Administrative Agent prior to the Closing Date.

"Second Amended and Restated Credit Agreement" 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
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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 Second Amended and Restated Guaranty executed by L & L Transportation, and Inergy Transportation, respectively, in favor of the Administrative Agent, dated the Closing Date, (ii) the Amended and Restated Guaranty executed by Inergy Sales in favor of Administrative Agent, dated 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 Security Agreements" means, collectively, (i) each Second Amended and Restated Security Agreement from L & L Transportation and Inergy Transportation, respectively, 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 or Inergy Transportation's, as applicable, existing and future assets; (ii) the Amended and Restated 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 (iii) 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 Five Million Dollars ($5,000,000).

"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
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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-4
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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
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12.09 and (b) the Termination Date.
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"Taxes" has the meaning assigned thereto in Section 4.16(a).

"Termination Date" means the earliest of (a) December ___, 2004, (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).

"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 Fifty Million Dollars ($50,000,000).

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

SECTION 2.04. IPC Acquisition Loan.

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 the IPC Acquisition Loan to the Borrower on the Closing Date, as requested by the Borrower in accordance with the terms of Section 4.01(a); provided, that (i) the aggregate principal amount of the IPC Acquisition Loan (after giving effect to any amount requested) shall not exceed the IPC Acquisition Commitment, (ii) the principal amount of the IPC Acquisition Loan from any Lender to the Borrower shall not at any time exceed such Lender's IPC Acquisition Commitment, and (iii) the aggregate principal amount of all Lenders' Extensions of Credit shall not exceed the Aggregate Commitment. The

IPC Acquisition Loan by each Lender shall be in a principal amount equal to such Lender's Commitment Percentage of the principal amount of the IPC Acquisition Loan requested as of the Closing Date. The IPC Acquisition Loan, if repaid or prepaid, may not be reborrowed.

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 Business Day of each calendar 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 Borrower of the date and amount of a draft paid under any Letter of Credit for the amount of (a) such draft so paid and (b) any amounts referred to in Section 3.03(c) incurred by the Issuing Lender in connection with such payment. Unless the Borrower shall immediately notify the Issuing Lender that the Borrower intends to reimburse the Issuing Lender for such drawing from other sources or funds, the Borrower shall be deemed to have timely given a Notice of Borrowing to the Administrative Agent requesting that the Lenders make a Working Capital Loan bearing interest at the Base Rate on such date in the amount of (a) such

draft so paid and (b) any amounts referred to in Section 3.03(c) incurred by the
Issuing Lender in connection with such payment, and the Lenders shall make a Working Capital Loan bearing interest at the Base Rate in such amount, the proceeds of which shall be applied to reimburse the Issuing Lender for the amount of the related drawing and costs and expenses. Each Lender acknowledges and agrees that its obligation to fund a Working Capital Loan in accordance with this Section 3.05 to reimburse the Issuing Lender for any draft paid under a Letter of Credit 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 Issuing Bank had actual knowledge of at the time of the issuance of such Letter of Credit. If the Borrower has elected to pay the amount of such drawing with funds from other sources and shall fail to reimburse the Issuing Lender as provided above, the unreimbursed amount of such drawing shall bear interest in the rate which would be payable on any outstanding Base Rate Loans which were then overdue from the date such amounts become payable (whether at stated maturity, by acceleration or otherwise) until payment in full.

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, Permitted Acquisition Loan or IPC Acquisition Loan, (D) in the case of a Working Capital Loan, Permitted Acquisition Loan or IPC Acquisition Loan, whether such Loan is to be a LIBOR Rate Loan or Base Rate Loan, 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, (B) such Lender's Commitment Percentage of the Permitted Acquisition Loans to be made on such borrowing date, and (C) such Lender's Commitment Percentage of the IPC Acquisition Loan 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, Permitted Acquisition Loan, IPC 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, Permitted Acquisition Loans and Reimbursement Obligations in full, (ii) to the extent the IPC Acquisition Facility Termination Date has not occurred, the IPC Acquisition Loan in full, and (iii) to the extent the Swingline Termination Date has not occurred, all Swingline Loans in full, 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 Permitted Acquisition Loans. If at any time the outstanding principal amount of all Permitted Acquisition Loans exceeds the Permitted 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 Permitted 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) Mandatory Repayment of IPC Acquisition Loan. If at any time the outstanding principal amount of the IPC Acquisition Loan exceeds the IPC 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 IPC Acquisition Loan 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.

(f) 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 $1,000,000 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.

(g) Issuance of Debt or Equity. If the Borrower, any of its Subsidiaries or any special purpose financing vehicle established by any of them (i) incurs any Debt (other than (1) refinancing Debt existing on the Closing Date in an amount not to exceed such existing Debt, and (2) Debt that complies with the requirements of subparts (2) or (4) of the definition of "Permitted Debt"), including Private Placement Debt, or (ii) issues any Capital Stock, after the Closing Date, then, in any such 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 cash proceeds received by the Borrower therefrom.

(h) Order of Application of Mandatory Prepayments. Any prepayment pursuant to Sections 4.02(f) or (g) shall be applied first to permanently reduce the outstanding principal balance of the IPC Acquisition Loan, and, upon payment in full thereof, then to the outstanding principal balance of the Permitted 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.

(i) Voluntary Prepayments. The Borrower shall have the right, without penalty or premium, to prepay the Working Capital Loans, the Permitted Acquisition Loans, the IPC Acquisition Loan 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 $100,000 (unless the outstanding principal balance of such Base Rate Loan is less then $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
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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) Permitted Acquisition Notes. Each Lender's Permitted Acquisition
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Loans and the obligation of the Borrower to repay such Permitted Acquisition Loans shall be evidenced by a Permitted Acquisition Note executed by the Borrower payable to the order of such Lender representing the Borrower's obligation to pay such Lender's Permitted Acquisition Commitment or, if less, the aggregate unpaid principal amount of all Permitted 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 Permitted 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.
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(c) IPC Acquisition Notes. Each Lender's IPC Acquisition Loan and the
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obligation of the Borrower to repay such IPC Acquisition Loan shall be evidenced by an IPC Acquisition Note executed by the Borrower payable to the order of such Lender representing the Borrower's obligation to pay such Lender's IPC Acquisition Commitment or, if less, the unpaid principal amount of the Permitted Acquisition Loan made by such Lender to the Borrower hereunder, plus interest and all other fees, charges and other amounts due thereon. Each IPC 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.
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(d) Swingline Note. The Swingline Loans and the obligation of the
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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, the Permitted Acquisition Commitment or the IPC 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, the Permitted Acquisition Commitment or the IPC 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 of Working Capital Commitment or Permitted Acquisition Commitment. 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 a Permitted Acquisition Loan required to be made pursuant to Section 4.02 shall not cause the Permitted Acquisition Commitment to be reduced.

(c) Mandatory Reduction of IPC Acquisition Commitment. Any mandatory prepayment of the IPC Acquisition Loan required to be made pursuant to Section 4.02 shall cause the IPC Acquisition Commitment to be permanently reduced.

(d) Repayment of Excess Loans. Each permanent reduction permitted pursuant to Section 4.04(a), with respect to outstanding Working Capital Loans, 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 Permitted Acquisition Loans or the IPC Acquisition Loan, shall be accompanied by a payment of principal sufficient to reduce the aggregate outstanding Permitted Acquisition Loans or the IPC Acquisition Loan, to the Permitted Acquisition Commitment or the IPC Acquisition Commitment, as applicable, as so reduced. If the reduction of the Working Capital Commitment, the Permitted Acquisition Commitment or the IPC 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.

(a) The Working Capital Facility, the Permitted Acquisition Facility and the L/C Facility shall terminate, and each of the Working Capital Commitment and the Permitted Acquisition Commitment shall be automatically reduced to zero on the Termination Date.

(b) The IPC Acquisition Facility shall terminate, and the IPC Acquisition Commitment shall be automatically reduced to zero, on the IPC Acquisition Facility Termination Date.

(c) The Swingline Facility shall terminate, and the Swingline Commitment shall be automatically reduced to zero, on the Swingline 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 $100,000 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 October 29, 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 IPC Acquisition Notes, then to the unpaid principal amount outstanding under the IPC Acquisition Notes, then to accrued and unpaid interest on the Working Capital Notes, the Permitted Acquisition Notes and the Reimbursement Obligations (pro rata in accordance with all such amounts due), then to the principal amount of the Working Capital Notes, the Permitted 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
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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, 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:

(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. Except as set forth in the Post-Closing Agreement, 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) Record Owner/Lien Searches. Except as set forth in the Post-Closing Agreement, record owner and lien searches, performed by a title insurance company or other search service satisfactory to the Administrative Agent, with respect to each fee-owned parcel of real property encumbered by a Mortgage, reflecting no Liens other than Permitted Liens and Liens to be terminated prior to, or simultaneously with, the Closing Date, and no other matters of title which the Administrative Agent shall not have approved in its reasonable discretion;

(ix) Certificates of Title. Except as set forth in the Post-Closing Agreement, 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;

(x) 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 (including pollution legal liability policies), together with endorsements naming the Administrative Agent as an additional named insured thereunder;

(xi) 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;

(xii) 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.

(xiii) Opinion of Credit Parties' Local Counsel. The favorable written opinion of counsel to the Credit Parties, to the Administrative Agent, for each of the following jurisdictions in which Collateral is located, regarding the Credit Parties, the Credit Documents and the transactions contemplated by the Credit Documents: Georgia, Florida, Oklahoma, Tennessee and Texas; and

(xiv) Post-Closing Agreement. A Post-Closing Agreement (the "Post-Closing Agreement") satisfactory to the Administrative Agent setting forth certain conditions precedent waived by the Administrative Agent, which the Borrower agrees to satisfy no later than the respective dates specified therein.

(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 Closing 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 (or, in the alternative, a certification that none of such documents have been modified since delivery thereof to the Administrative Agent in connection with the execution and delivery of the Existing Credit Agreement), (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 Closing Date and at all times since a date prior to the date of the resolutions described in clause (3) below (or, in the alternative, a certification that none of such documents have been modified since delivery thereof to the Administrative Agent in connection with the execution and delivery of the Existing Credit Agreement), (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 Section 5.02(b)(viii), there shall not have occurred any material adverse change in the business, financial condition or results of operations of Inergy, 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 Inergy, 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, prohibit the consummation of the IPC Acquisition 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) Certificates of Good Standing / Authorization. Receipt by the Administrative Agent of a certificate of good standing or authorization 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, certificate of authorization or like certificate due to the nature of its operations in such state, each such state being listed on Part 1 of Schedule 6.01(a) hereto;

(vii) 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;

(viii) Financial Statements. Receipt by the Administrative Agent of (A) proforma financial statements giving effect to the IPC Acquisition, 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 the Borrower and its Consolidated Subsidiaries for the fiscal quarter ended September 30, 2001; (D) audited consolidated financial statements of IPC Holdings and its Consolidated Subsidiaries for the Fiscal Years ended September 30, 1998, September 30, 1999, and September 30, 2000, and (E) such other information as the Administrative Agent, or the Lenders, through the Administrative Agent, may reasonably request;

(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 IPC Acquisition. The transactions contemplated by the Plan of Merger shall be consummated prior to or simultaneously with the initial Extension of Credit under this Agreement, and each of the conditions set forth therein shall have been satisfied, without any waiver or amendment thereof (other than non-material waivers or amendments), without the consent of the Administrative Agent, in its reasonable discretion;

(xi) IPC Acquisition Purchase Price. Satisfactory review by the Administrative Agent of Schedule 5.02(b) hereto, which sets forth a computation of the purchase price for the IPC Acquisition and the sources of funds for such purchase price;

(xii) Outstanding Facilities. Receipt by the Administrative Agent of confirmation acceptable to the Administrative Agent that all other credit facilities of the Credit Parties, including, without limitation, (i) the facilities available to the Borrower under the Existing Agreement, (ii) the IPCH Demand Loan to IPCH Acquisition Corp. and (iii) the Heller Credit Facility, have been, or will be simultaneously, terminated and paid in full.

(xiii) 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 Closing Date are to be disbursed;

(xiv) No Default; Representations and Warranties. As of the Closing 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

(xv) 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 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 that either alone or in the aggregate could reasonably be expected to result in a Material Adverse Effect. 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 September 30, 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 September 30, 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.

(y) IPC Acquisition. The IPC Acquisition shall have been consummated upon the application of the proceeds of the borrowing under the IPC Acquisition Facility. Schedule 5.02(b) hereto sets forth a true and accurate calculation of the purchase price for the IPC Acquisition in accordance with the terms of the Plan of Merger.

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. Financial Statements.

(a) 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 hereto (a "Borrowing Base Certificate") 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.

(b) 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.

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

(d) 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.

(e) 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.

(f) Officer's Compliance Certificate. At each time financial statements are delivered pursuant to Sections 7.01(b) or (d), a certificate of a Financial Officer of Inergy, L.P. or the Borrower, as applicable, in the form of Exhibit E 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, except, in each case, where the failure to do so could not reasonably be expected to result in a Material Adverse Effect.

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(l) 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 l986 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 correction 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 or the IPC Acquisition; (ii) the Permitted 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; and (iii) the IPC Acquisition Loan for the IPC Acquisition, for refinancing the Heller Credit Facility, for refinancing the IPCH Demand Loan and the payment of fees and expenses incurred in connection therewith.

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. Risk Management Plan.

Comply, and require its Subsidiaries to comply, with (i) the retail and wholesale inventory distribution and trading procedures, (ii) the dollar and volume limits, and (iii) all other material provisions of the Risk Management Plan.

SECTION 8.14. Acquisition of Assets and Properties.

Subject to the provisions of Section 12.10(b), assets and properties acquired by the Borrower or any of its Subsidiaries after the Closing Date consisting of (i) such real properties as constitute at least seventy-five percent (75%) of the aggregate value of the real properties acquired, as determined by the Administrative Agent in its reasonable discretion, (ii) such motor vehicles as constitute at least seventy-five percent (75%) of the aggregate value of the motor vehicles acquired, as determined by the Administrative Agent in its reasonable discretion, and (iii) all other material personal property assets acquired (to the extent that (a) a Lien can be perfected thereon by the filing of UCC financing statements in the appropriate jurisdictions, and (b) if required by the Administrative Agent, a Lien can be perfected thereon by possession or other methods under the UCC), shall be part of the Collateral securing the payment and performance of the Obligations on which the Administrative Agent shall have a perfected Lien, 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, guarantees, 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. Notwithstanding anything to the contrary set forth above, the conditions set forth in clauses (i), (ii) and (iii) shall not apply to the acquisition of assets and properties (whether acquired in one or more related or unrelated transactions) to the extent that the aggregate purchase price of such assets and properties does not exceed $2,000,000.

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 4.50 to 1.00, for any fiscal quarter.

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) Subject to clause (b) below, 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., (4) agreements involving the sale and guaranteed repurchase of United States Government securities, or (5) a Subsidiary provided that (i) such Subsidiary is a wholly owned Subsidiary (directly or indirectly) of the Borrower; (ii) such Subsidiary guarantees the Obligations under the Credit Agreement and other Credit Documents pursuant to a Guaranty Agreement in substantially the form of Exhibit I-1 hereto, (iii) such Subsidiary grants to the Administrative Agent (or the Collateral Agent) for the benefit of the Lenders a first priority security interest in all assets and properties of such Subsidiary (subject only to Permitted Liens) in accordance with Section 8.14 pursuant to a Security Agreement in substantially the form of Exhibit J hereto or a Mortgage in form and substance satisfactory to the Administrative Agent and (iv) the Capital Stock of such Subsidiary is pledged to the Administrative Agent (or the Collateral Agent) for the benefit of the Lenders pursuant to a Pledge Agreement in substantially the form of Exhibit K hereto. 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 8.14, 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 and the IPC Acquisition, 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(f) hereof, (c) the sale of motor vehicles in the ordinary course of such Person's business with the consent of the Administrative Agent and (d) the sale of other assets not in the ordinary course of business in an amount not to exceed $5,000,000 in any Fiscal Year.

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; provided, that the foregoing shall not prohibit the consummation of the IPC Acquisition in accordance with Plan of Merger.

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 $5,000,000.

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 Closing 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 Closing 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; or (vii) 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(h) or (i), 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) Exercise 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) Exercise 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) Exercise 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) If an Event of Default shall have occurred and be continuing, the Administrative Agent may, and at the request of the Required Lenders shall, take a security interest in assets and properties of the Borrower and its Subsidiaries that are not Collateral as the Administrative Agent shall request, in its sole discretion, and all such assets and properties shall be part of the Collateral securing the payment and performance of the Obligations. The Borrower or each Subsidiary of the Borrower, as applicable, shall execute and deliver, or cause to be executed and delivered, to the Administrative Agent, at the Borrower's expense, such documents (including, without limitation, mortgages, deeds of trust, deeds to secure debt, guarantees, security agreements, UCC financing statements, fixture filings, opinions of counsel, title insurance and endorsements) and other assurances as the Administrative Agent may reasonably request in order to create and perfect Liens on such assets and properties in favor of the Administrative Agent, subject to no other Liens other than Permitted Liens.

(c) 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
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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(c).

(d) In the event that a Credit Party desires to retire or sell any motor vehicle that is part of the Collateral, the Borrower shall submit to the Administrative Agent a Request for Title and Lien Release in the form of Exhibit N hereto, and, upon the approval of such request by the Administrative
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Agent, the Administrative Agent shall release the first priority Lien on such motor vehicle.

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 201 South College Street Charlotte, North Carolina 28288-0680 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 401 South Tryon Street, Suite 3000 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 (other than an assignment of the IPC Acquisition Commitment) 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:

(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, without the consent of each Lender affected thereby:

(a) increase the amount, or extend the time, of the obligation of a Lender 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 Inergy, 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
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the Lenders, shall have entered into the Intercreditor Agreement with the Collateral Agent and the holders of the Private Placement Debt. The Lenders hereby authorize the Administrative Agent to enter into the Intercreditor Agreement on behalf of the Lenders, with the Collateral Agent and the holders of the Private Placement Debt.

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 s abject 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. Amended and Restated Credit Facility; Liens Unimpaired.

This Agreement amends and restates the Existing Credit Agreement in its entirety. 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) 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) 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.

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: Joe K. Dancy
Title: Vice President

FLEET NATIONAL BANK, as Syndication Agent and as Lender

By: _____

Name:
Title:

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

By: _____

Name:
Title:

FIRSTAR BANK, N.A. OVERLAND PARK, as Lender

By: _____

Name:
Title:

WELLS FARGO BANK TEXAS, N.A., as Lender

By: _____

Name:
Title:

TEAMBANK, N.A., as Lender

By: _____

Name:
Title: